



BREEDERS' CUP LIMITED
2008 ANNUAL REPORT



May 13, 2009

Dear Breeders' Cup Nominators,



The past 12 months have been a particularly difficult time for the Thoroughbred racing and breeding industries in the wake of the global recession. Yet, thanks to the continued support of our nominators and fans and record participation from the world's leading horsemen, the 25th running of the Breeders' Cup World Championships in 2008 was a much needed bright spot for international horseracing. As we look towards a second consecutive year for the Championships at Oak Tree at Santa Anita in 2009, we believe the organization is well positioned to build on our success last year as we stage the 26th edition of the richest two days in sports.

Given the sharp decline in the economy in the fourth quarter of last year, the 2008 Breeders' Cup defied expectations on a number of fronts. Total wagering for the two-day event exceeded \$155 million, representing a 5.5% increase from the prior year. The Friday Championship handle of \$49.5 million set a North American weekday record and firmly established the two-day format in only its second year of existence. This growth in betting handle was made possible by particularly strong fields with 156 starters, including a record 31 international entries in the first Championships held on a synthetic surface. The average rating of the Championship races was 120.5 with the Breeders' Cup Classic (126.75) the top rated race in the world in 2008 as determined by the International Federation of Horseracing Authorities.

More than 81,000 spectators attended the Championships which generated over \$21 million in revenues for the organization. 2008 also marked another strong year for the Breeders' Cup in its sponsorship efforts as existing marketing partners Emirates Airline, Grey Goose and Bessemer Trust joined with new sponsors Bulgari, Dos Equis and Sentient to generate more than \$6.6 million in revenues as shown in the attached audited financial statements.

2008 also saw a number of marketing innovations for the event, highlighted by our television partner ESPN's most technologically advanced television programming to date including 34 High Definition (HD) cameras, fixed wing aircraft cameras and a truck mounted "gyro-camera" tracking the leaders from the rail throughout each race. These production enhancements helped total viewership jump dramatically with 19.8 million viewers tuning in for some or all of the telecasts compared with 12.2 million viewers in 2007.

The financial success of the 2008 Championships enabled the organization to fund nearly \$30 million in purses and nominator awards for the year, which far exceeded the \$21.5 million received in stallion and foal nomination fees.

For 2009, Breeders' Cup will again fund \$25.5 million in Championship purses and \$5 million in purses for the year-long Breeders' Cup Stakes program. We also announced a one-time \$100 reduction of the \$500 foal nomination fee in the 2009 year if the nomination is made online at www.breederscup.com on or before August 1, 2009.

The decision to allocate \$30.5 million in purses this year results in a 2009 budgeted operating deficit for the organization of approximately \$5.6 million. This deficit is largely driven by projected declines in nominations levels and Championships host site fees. While the decision to operate at such a large deficit was not made lightly, the consensus of Board Members and Trustees was that a targeted one-time use of the organization's reserves was warranted to fund the shortfall and show support for our nominators and the broader industry in this period of unprecedented economic turmoil.

Looking forward to the remainder of this year, we expect the third year of the expanded 60 race Breeders' Cup Challenge series — including ten international races — will create an exciting lead in to the 2009 Breeders' Cup World Championships at Oak Tree at Santa Anita Park on November 6 and 7. This will be the first time in our history that the Championships will make a repeat visit to the same track in consecutive years. Our experience in Los Angeles last year with great racing, the warm Southern California climate and our host track's exceptional quality of service all point to a successful return to Oak Tree at Santa Anita Park.

We look forward to seeing all of you there. Breeders' Cup thanks all of our nominators for your continued support.

Sincerely,

A handwritten signature in black ink that reads "Greg Avioli". The signature is written in a cursive, flowing style.

Gregory C. Avioli
President and CEO

BREEDERS' CUP LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

BREEDERS' CUP LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Breeders' Cup Limited
Lexington, Kentucky

We have audited the accompanying consolidated statements of financial position of Breeders' Cup Limited (a New York non-profit organization) as of December 31, 2008 and 2007, 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 the Breeders' Cup Limited's 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Breeders' Cup Limited as of December 31, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Crowe Horwath LLP

Crowe Horwath LLP

Louisville, Kentucky
May 20, 2009

BREEDERS' CUP LIMITED
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 1,214,235	\$ 8,743,635
Accounts receivable, net	8,483,292	4,469,148
Accrued interest receivable	175,951	110,892
Investments	29,179,848	35,787,907
Receivable from NTRA Investments, LLC, net of discount of \$0 in 2008 and \$134,355 in 2007	1,072,786	1,653,853
Other assets, net	<u>548,873</u>	<u>556,908</u>
Total assets	<u>\$ 40,674,985</u>	<u>\$ 51,322,343</u>
 Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 5,626,887	\$ 7,307,068
Deferred revenue	540,450	561,484
Separation agreement	307,063	473,218
Line of credit	5,979,229	—
Long-term note payable	—	<u>2,050,000</u>
Total liabilities	<u>12,453,629</u>	<u>10,391,770</u>
Commitments		
Capital contributions	65,000	65,000
Unrestricted net assets	<u>28,156,356</u>	<u>40,865,573</u>
Total net assets	<u>28,221,356</u>	<u>40,930,573</u>
Total liabilities and net assets	<u>\$ 40,674,985</u>	<u>\$ 51,322,343</u>

See accompanying notes.

BREEDERS' CUP LIMITED
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Years Ended December 31

	<u>2008</u>	<u>2007</u>
Revenues		
Nomination fees, net of stallion assessment refund of \$157,500 in 2008 and \$216,000 in 2007	\$ 21,515,392	\$ 21,793,461
Breeders' Cup Championships fees	21,192,490	23,280,032
Sponsorship revenue	6,690,628	6,900,633
Unrealized and realized gains on investments, net	(11,056,102)	2,709,929
Investment income, net	851,507	902,585
Other	429,920	941,802
Total revenues	<u>39,623,835</u>	<u>56,528,442</u>
Expenses		
Purses and nominator awards	29,841,397	31,055,233
Direct event operations	1,506,638	1,807,244
Marketing and simulcast development	7,363,170	7,825,289
Television	3,872,104	5,389,114
Sponsorship	2,362,949	2,957,733
NTRA membership dues	400,000	800,000
Equine medical research funding	150,000	100,050
Personnel costs	3,954,243	3,606,769
General and administrative	2,421,218	2,577,866
Interest expense	24,485	184,206
Write-down of NTRA Investments LLC Loan	436,848	—
Total expenses	<u>52,333,052</u>	<u>56,303,504</u>
Change in net assets	(12,709,217)	224,938
Total net assets, beginning of year	<u>40,930,573</u>	<u>40,705,635</u>
Total net assets, end of year	<u>\$ 28,221,356</u>	<u>\$ 40,930,573</u>

See accompanying notes.

BREEDERS' CUP LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities		
Change in net assets	\$ (12,709,217)	\$ 224,938
Adjustments to reconcile change in net assets from operations to net cash from operating activities		
Amortization of note receivable discount	(58,300)	(80,824)
Realized (gain)/loss on sales of investments	6,873,898	(4,319,321)
Unrealized (gain)/loss on investments	4,574,631	1,609,392
Write off of NTRA Investments, LLC receivable	436,848	—
Changes in		
Accounts receivable, net	(4,014,144)	(1,863,992)
Accrued interest receivable	(65,059)	16,062
Other assets, net	8,035	(397,904)
Accounts payable and accrued expenses	(1,680,181)	6,915,781
Deferred revenue	(21,034)	79,176
Separation agreement	(166,155)	(226,465)
NTRA membership and management fee receivable/payable	<u>—</u>	<u>2,321,566</u>
Net cash from operating activities	<u>(6,820,678)</u>	<u>4,278,409</u>
Cash flows from investing activities		
Purchases of investments	(44,574,181)	(42,002,746)
Proceeds from sales of investments	39,733,711	45,007,945
Proceeds from NTRA Investments, LLC receivable	<u>202,519</u>	<u>574,409</u>
Net cash from investing activities	<u>(4,637,951)</u>	<u>3,579,608</u>
Cash flows from financing activities		
Advance under line of credit	5,979,229	—
Repayment of long-term note payable	<u>(2,050,000)</u>	<u>(1,575,000)</u>
Net cash from financing activities	<u>3,929,229</u>	<u>(1,575,000)</u>
Net change in cash and cash equivalents	(7,529,400)	6,283,017
Cash and cash equivalents at beginning of year	<u>8,743,635</u>	<u>2,460,618</u>
Cash and cash equivalents at end of year	<u>\$ 1,214,235</u>	<u>\$ 8,743,635</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	\$ 24,485	\$ 184,206

See accompanying notes.

BREEDERS' CUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The consolidated statements include the financial information of Breeders' Cup Limited and its wholly owned, for-profit subsidiary, Breeders' Cup Properties, LLC ("Breeders' Cup Properties") and Breeders' Cup Charities, Inc. ("Breeders' Cup Charities"), a 501 (c)(3) non-profit corporation. All intercompany balances and transactions have been eliminated in consolidation.

Purpose of Organization and Nature of Operations: Breeders' Cup Limited was incorporated in 1980 as a non-profit organization whose purpose is to stimulate public interest in the sport of Thoroughbred horse racing. The primary goal of Breeders' Cup Limited is to build broad-based positive public awareness of Thoroughbred racing, thereby increasing fan participation in the sport and expanding opportunities for development of the Thoroughbred industry. This objective is achieved through a multimillion dollar year-round racing and promotional program.

Breeders' Cup Properties was established to own and operate commercial business ventures and investments that are profit motivated.

Breeders' Cup Charities was established in 2008 as a means to raise funds from the public and Thoroughbred industry participants to be donated to other charitable organizations focusing on equine and human health issues.

Revenue Recognition: The majority of revenues recognized by Breeders' Cup Limited relate to stallion and foal nomination fees and fees associated with the Breeders' Cup World Championships ("Championships"). Stallion nomination fees are recognized during the calendar year that corresponds to the related breeding season. Foal nomination fees are recognized during the year in which the foal is nominated. Championships fees include entry fees for horses and contributions from the host track. Fees associated with the Championships are recognized during the year in which the event is held. Amounts received in advance of the revenue recognition are reported as deferred revenue on the consolidated statements of financial position.

Cash and Cash Equivalents: Breeders' Cup Limited considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. At times, the company maintains checking account balances in a financial institution in excess of the insurance limits provided by the Federal Deposit Insurance Corporation (FDIC).

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BREEDERS' CUP LIMITED
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December 31, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounts Receivable: Accounts receivable consist primarily of nomination fees and amounts associated with the Championships. Interest is not normally charged on receivables. An allowance for doubtful accounts receivable is provided based on historical collection experience and a review of the current status of existing receivables. Losses are charged off to the allowance when Breeders' Cup Limited deems further collection efforts will not produce additional recoveries. The allowance recorded was approximately \$20,000 and \$56,000 for the years ended December 2008 and 2007 respectively.

Breeders' Cup Limited requires additional stallion nomination fees, known as Live Foal Assessment Fees, for stallions producing 50 or more live foals. Refunds related to these Live Foal Assessments could be payable by Breeders' Cup Limited if the number of actual live foals differs from the number on which the assessment was based. Live Foal Assessment Fee refunds for 2008 and 2007 were estimated at \$157,500 and \$216,000, respectively, and are recorded as an allowance against accounts receivable on the Consolidated Statements of Financial Position. If actual results vary from this estimate, changes in net assets in future years will be decreased or increased as appropriate.

Investments: Investments consist of marketable equity securities and marketable debt securities. Breeders' Cup Limited records investments at fair value as determined based on quoted market prices. For purposes of calculating realized gains and losses, the specific identification method is used to determine the carrying value of investment securities sold.

Estimates in the Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. To the extent actual results differ from those estimates, future revenues and expenses could be affected.

Debt Restructuring: The debt restructuring that occurred in 2006 between Breeders' Cup Properties, LLC and NTRA Investments, LLC, discussed in Note 3, is considered a troubled debt restructuring in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 114, "Accounting for Creditors for Impairment of a Loan."

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BREEDERS' CUP LIMITED
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Adoption of New Accounting Standards: In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (FAS 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard was effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material.

FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), issued July 2006, was effective as of January 1, 2007. The Company has elected to defer adoption of FIN 48, in accordance with the provisions of FASB Staff Position No. FIN 48-3, which permits certain nonpublic enterprises to delay adoption until fiscal years beginning after December 15, 2008. Upon adoption of FIN 48, the Company will recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Currently, the Company accounts for contingencies associated with certain tax positions in accordance with Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*, which provides the recording of a contingency based on the probability of certain events to transpire that range from probable to remote as opposed to applying a more likely than not recognition threshold.

NOTE 2 – BREEDERS' CUP PROPERTIES, LLC

Properties is capitalized with \$10,000 in common stock and \$2,490,000 of paid-in capital. The common stock and paid-in capital have been eliminated in consolidation.

Properties had a long-term note payable with a bank of \$2,050,000 as of December 31, 2007. The purpose of the note is discussed in Note 3 – NTRA and NTRA Investments, LLC. The original note of \$5,000,000 carried an interest rate of 1.5% below the prime rate and had a maturity date of September 1, 2006. In June 2005, Properties renegotiated this note such that the interest rate is fixed at 5.25% and the maturity date is December 31, 2008. During 2007, \$750,000 was paid to the bank as required plus an additional \$825,000 in principal. In 2008 the remaining balance of \$2,050,000 was paid in full.

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BREEDERS' CUP LIMITED
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NOTE 3 – NTRA AND NTRA INVESTMENTS, LLC

The National Thoroughbred Racing Association, Inc. (NTRA) is a 501(c)(6) non-profit membership association organized to increase the public awareness of Thoroughbred racing and to improve economic conditions for industry participants. Breeders' Cup Limited is a founding member of NTRA.

Agreements with NTRA: Breeders' Cup Limited entered into a Membership and Management Services Agreement with NTRA effective January 1, 2001. Under the Agreement, NTRA performed the normal day-to-day business operations of Breeders' Cup Limited in exchange for a fee based on the profits of Breeders' Cup Limited. Effective January 1, 2006, Breeders' Cup Limited and NTRA agreed to modify the Agreement for 2006 whereby actual revenues for Breeders' Cup Limited in excess of budgeted revenues reverted back to Breeders' Cup Limited and would not be retained by NTRA. The Membership and Management Services Agreement was terminated by Breeders' Cup Limited effective December 31, 2006. For the year ended December 31, 2006, Breeders' Cup Limited recognized a net receivable from NTRA of \$2,321,566. This amount was equal to actual revenues related directly to the activities of Breeders' Cup Limited in excess of budgeted revenues net of amounts owed by Breeders' Cup Limited to NTRA under the Membership and Management Services Agreement. NTRA paid this amount in full in 2007.

Effective January 1, 2007, Breeders' Cup Limited and NTRA entered into an Affiliation Agreement under which the two companies continued to share various resources such as personnel, office space and administrative expenses for two years. This agreement also set forth the methods for fulfilling sponsorship contracts under which both companies were contractually obligated. The Affiliation Agreement terminated at the end of 2008. Breeders' Cup Limited paid membership dues to NTRA in the amount of \$400,000 and \$800,000 in 2008 and 2007, respectively.

NTRA Investments, LLC: During 1999, NTRA formed NTRA Investments, LLC ("NTRA Investments") to conduct for-profit activities, including the purchase of both the tangible and intangible horse racing-related television production assets and rights of Winner Communications, Inc., now called Winnercomm, Inc. ("Winnercomm"). As funding for this acquisition, NTRA Investments entered into a term loan agreement in 1999 with Breeders' Cup Properties, and certain other organizations operating in the Thoroughbred industry (collectively the "Lenders").

Breeders' Cup Properties recorded a note receivable, net of discount, from NTRA Investments in an amount of \$1,072,786 and \$1,653,853 as of December 31, 2008 and 2007, respectively. On June 30, 2006 the terms of the note were revised such that no interest will be paid and the maturity date is February 29, 2012. Interest was previously fixed at 4% until maturity on September 31, 2006. The

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BREEDERS' CUP LIMITED
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restructuring of this note, including the loss of future interest payments, resulted in the recognition of a discount against the note receivable in order to adjust it to present value. The note receivable is recorded net of discount of \$76,036 and \$134,335 as of December 31, 2008 and 2007, respectively. The discount is amortized over the term of the note using the effective interest method. Unamortized discount amounts of \$58,300 and \$80,822 are included in interest income in 2008 and 2007, respectively. Breeders' Cup Properties received \$202,519 and \$574,409 from NTRA Investments as payment against this note in 2008 and 2007, respectively.

As agreed to by the Lenders, future note payments were expected to be derived from half of the revenue received by NTRA Investments from ODS Technologies, L.P. ("TVG") and, as such were linked to agreements between NTRA and TVG and the financial performance of TVG. However, in the first quarter of 2009, NTRA sought the approval of the Lenders to terminate its agreement with TVG while making a payment to the Lenders equal to two-thirds of the outstanding loans as full and final payment of the obligations of NTRA Investments to the Lenders.

After unanimous approval by the Lenders, Breeders' Cup Properties reduced the value of its note to reflect a write-down of \$512,884 in principal and write-off of the present value discount of \$76,036 resulting in a net write-down of \$436,848 and a note balance of \$1,072,786 as of December 31, 2008. This amount was paid in full by NTRA in April 2009.

NOTE 4 – INVESTMENTS

The long-term investment strategy of Breeders' Cup Limited includes the utilization of both marketable equity and debt securities. All investments are carried at fair value. The fair values of such securities at December 31 are as follows:

	<u>2008</u>	<u>2007</u>
Corporate stocks	\$13,847,383	\$ 27,363,148
U.S. Treasury, agency and corporate bonds	<u>15,332,465</u>	<u>8,424,759</u>
	<u>29,179,848</u>	<u>\$ 35,787,907</u>

Investment income for the years ended December 31 consists of the following:

	<u>2008</u>	<u>2007</u>
Investment income	\$ 959,424	\$ 998,332
Investment management fees	<u>(107,917)</u>	<u>(95,747)</u>
	<u>\$ 851,507</u>	<u>\$ 902,585</u>

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BREEDERS' CUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 5 – FAIR VALUE

Statement 157 established a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The fair values of trading securities and securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used to in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

The Company maintains only level one inputs that are classified as investments with a fair value of \$29,179,848 at December 31, 2008. The values were obtained using only quoted prices in active markets.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Board of Trustees and Directors of Breeders' Cup Limited is made up primarily of individuals involved in many facets of the Thoroughbred industry, including the breeding and racing of Thoroughbred horses. Breeders' Cup Limited's trustees, directors and employees may own horses directly or through partnerships that are eligible for Breeders' Cup purses and awards. Certain trustees, directors or their farms are managers with respect to certain stallions and foals that collectively generate a majority of the stallion and foal nomination fees on behalf of Breeders' Cup Limited. In addition, certain trustees or directors of Breeders' Cup Limited also serve as directors of the NTRA.

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BREEDERS' CUP LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 – INCOME TAXES

Breeders' Cup Limited is exempt from federal income tax under section 501(c)(6) of the Internal Revenue Code. The for-profit subsidiary, Breeders' Cup Properties, is subject to tax on taxable income, if any. The tax effect of the activities of Breeders' Cup Limited and Breeders' Cup Properties does not materially impact the consolidated financial statements.

Breeders' Cup Properties has net operating loss carryforwards of approximately \$3,800,000 and \$3,721,292 at December 31, 2008 and 2007 respectively, which will begin expiring in 2020. Breeders' Cup Properties does not anticipate generating taxable income to be able to utilize the net operating loss carryforwards before their expiration and, therefore, has recorded a full valuation allowance to offset the deferred tax asset related to the future tax benefit.

NOTE 8 – LINE OF CREDIT

Breeders' Cup Limited has a revolving line of credit with a bank for an amount up to \$10,000,000. The line of credit matures on June 30, 2009 and is secured by certain investment securities. It bears interest at 2% below the prime interest rate of 3.25% and 7.25% for December 31, 2008 and 2007, respectively. Breeders' Cup Limited had advances of \$5,979,229 and \$0 as of December 31, 2008 and December 31, 2007, respectively.

NOTE 9 – SEPARATION AGREEMENT

In July 2006, the Board of Directors agreed to a separation agreement with the President of Breeders' Cup Limited. The separation agreement provides for one and one half times the President's annual salary to be paid in monthly installments of \$22,180 beginning January 1, 2007 through December 31, 2009. In addition, the President and spouse are entitled to receive health insurance benefits through June 2013 or until such time as the President accepts another position. NTRA has agreed to pay \$100,000 of the liability with the remaining balance of \$790,000 owed by Breeders' Cup Limited. This expense and related liability was discounted to a present value of \$307,063 and \$473,218 as of December 31, 2008 and 2007, respectively, and is labeled separation agreement on the Consolidated Statements of Activities and Consolidated Statements of Financial Position.