



**BREEDERS' CUP LIMITED**  
**2009 ANNUAL REPORT**



April 8, 2010

Dear Breeders' Cup Nominators,



The 26th running of the Breeders' Cup World Championships was a bright spot for the entire industry in an otherwise difficult year. Capped by the unforgettable performance of Zenyatta in winning the Classic, the Championships garnered unprecedented fan interest and media coverage and strengthened the Breeders' Cup's position as the definitive international event of Thoroughbred racing.

Highlights of the 2009 Championships include:

- Attendance: 96,496 (11% increase over 2008)
- Total Wagering: Handle on our 14 Championship races was up 3% in contrast to a decline of more than 10% in national handle for the year.
- Safety and Integrity: For the second consecutive year, the Santa Anita track surfaces proved to be safe and consistent. Over the last two years, more than three hundred starters competed in the Championship races without serious injury. With our expanded testing, heightened security and 72 hour "on site" requirement for all horses, there were no medication positives for any of the 147 starters.
- International: A record 34 international starters and expanded international promotion (12 European Win and You're In races) and television coverage (74 million homes in 130 countries) led to 32% increase in international handle.
- ESPN.com: Breeders' Cup received over 30 million impressions from ads on ESPN.com that generated 37% more traffic during the week of the event than 2008 on ESPN.com's Breeders' Cup section.
- Digital/Social Media: Major inroads in social media were highlighted by the first ever Breeders' Cup inclusion on the Google and Twitter "trends lists" and the YouTube homepage:
  - Breeders' Cup Google searches were up over 2000% from 2008 plus "Zenyatta" was one of the top ten most searched terms in the world on Championships Saturday.
  - Breeders' Cup mentions on Twitter were up 92.5% over 2008 with more than 49,000 Breeders' Cup related Tweets.
  - For the first time, Breeders' Cup cracked the YouTube homepage reserved for the most viewed videos each day, with the Breeders' Cup Classic replay appearing in the Most Popular Videos slot on November 8.
- Celebrities: The entertainment community embraced Breeders' Cup with attendance at the event by personalities from popular TV shows including Boston Legal, Criminal Minds,

Curb Your Enthusiasm, Dancing with the Stars, Desperate Housewives, Entourage, Grey's Anatomy, and Lost.

While those of us within the Thoroughbred industry are aware of the successes in Los Angeles last year as noted above, perhaps the clearest indication of what Breeders' Cup accomplished in 2009 comes from those outside the industry. Within one week last month, the 2009 Championships were nominated for two prestigious awards.

- The 2009 Championships were nominated by Sports Business Journal as the "Sports Event of the Year" along with other great events including the Bridgestone NHL Winter Classic, MLB All-Star Game, Super Bowl XLIV and U.S. Open (Tennis).
- ESPN's coverage of the 2009 Championships was nominated for an Emmy in the category of "Outstanding Live Sports Special" by the National Academy of Television Arts & Sciences. Other Emmy nominees in this category include the Super Bowl, MLB World Series, NBA Playoffs, Stanley Cup Final, the Indianapolis 500 and the X Games.

Beyond the Championships, in an effort to assist our key stakeholders, Breeders' Cup extended a 20% discount to all breeders who nominated their foals online prior to August 1st. This initiative resulted in over \$1 million in savings for nominators last year as the industry adapted to lower bloodstock values brought on by the poor economy.

Like our nominators who are learning to adapt to the new economic paradigm within the industry, Breeders' Cup also must learn how to succeed and grow in order to fulfill our mission of promoting the Thoroughbred industry and improving business conditions for breeders. To that end, in 2009 we continued our strategic planning process. We look forward to concluding this process and communicating to you a bold, new direction for our organization in the coming months.

We at Breeders' Cup extend our thanks to all of our nominators and sponsors for their continued support.

Sincerely,



Gregory C. Avioli  
President and CEO

**BREEDERS' CUP LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

**BREEDERS' CUP LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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Crowe Horwath LLP  
Independent Member Crowe Horwath International

## 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, 2009 and 2008, 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, 2009 and 2008, 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  
April 16, 2010

**BREEDERS' CUP LIMITED**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
December 31

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	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,066,435	\$ 1,214,235
Accounts receivable, net	3,491,206	8,483,292
Accrued interest receivable	146,167	175,951
Investments, at fair value	32,411,993	29,179,848
Receivable from NTRA Investments, LLC	—	1,072,786
Other assets, net	<u>901,041</u>	<u>548,873</u>
<b>Total assets</b>	<u><u>\$ 38,016,842</u></u>	<u><u>\$ 40,674,985</u></u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 4,209,396	\$ 5,626,887
Deferred revenue	436,128	540,450
Separation agreements	391,567	307,063
Line of credit	<u>5,853,060</u>	<u>5,979,229</u>
Total liabilities	10,890,151	12,453,629
Capital contributions	65,000	65,000
Unrestricted net assets	<u>27,061,691</u>	<u>28,156,356</u>
Total net assets	<u><u>27,126,691</u></u>	<u><u>28,221,356</u></u>
<b>Total liabilities and net assets</b>	<u><u>\$ 38,016,842</u></u>	<u><u>\$ 40,674,985</u></u>

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*See accompanying notes.*

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

	<u>2009</u>	<u>2008</u>
<b>Revenues</b>		
Nomination fees, net of stallion assessment reserve of \$82,250 in 2009 and \$157,500 in 2008	\$ 16,140,988	\$ 21,515,392
Breeders' Cup Championships fees	18,832,701	21,192,490
Sponsorship revenue	5,559,357	6,690,628
Unrealized and realized gains (loss) on investments	2,256,684	(11,056,102)
Investment income, net	762,862	851,507
Other	—	429,920
Total revenues	<u>43,552,592</u>	<u>39,623,835</u>
<b>Expenses</b>		
Purses and nominator awards	28,805,934	29,841,397
Marketing and simulcast development	2,829,683	7,363,170
Television	3,209,508	3,872,104
Sponsorship	1,501,890	2,362,949
Direct event operations	1,337,440	1,506,638
NTRA membership dues	400,000	400,000
Equine medical research funding	101,500	150,000
Personnel costs	3,901,097	3,954,243
General and administrative	2,164,367	2,421,218
Interest expense	57,467	24,485
Separation agreements	338,371	—
Write-down of NTRA Investments, LLC loan	—	436,848
Total expenses	<u>44,647,257</u>	<u>52,333,052</u>
<b>Change in net assets</b>	(1,094,665)	(12,709,217)
Total net assets, beginning of year	<u>28,221,356</u>	<u>40,930,573</u>
<b>Total net assets, end of year</b>	<u>\$ 27,126,691</u>	<u>\$ 28,221,356</u>

*See accompanying notes.*

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

	<u>2009</u>	<u>2008</u>
<b>Cash flows used for operating activities</b>		
Change in net assets	\$ (1,094,665)	\$(12,709,217)
Adjustments to reconcile change in net assets from operations to net cash used for operating activities		
Amortization of note receivable discount	—	(58,300)
Realized (gain)/loss on sales of investments	655,208	6,873,898
Unrealized (gain)/loss on investments	(2,911,892)	4,574,631
Write off of NTRA Investments, LLC receivable	—	436,848
Changes in		
Accounts receivable, net	4,992,086	(4,014,144)
Accrued interest receivable	29,784	(65,059)
Other assets, net	(352,168)	8,035
Accounts payable and accrued expenses	(1,417,491)	(1,680,181)
Deferred revenue	(104,322)	(21,034)
Separation agreements	84,504	(166,155)
Net cash used for operating activities	<u>(118,956)</u>	<u>(6,820,678)</u>
 <b>Cash flows from investing activities</b>		
Purchases of investments	(32,453,914)	(44,574,181)
Proceeds from sales of investments	31,478,453	39,733,711
Proceeds from NTRA Investments, LLC receivable	1,072,786	202,519
Net cash (used in)/from investing activities	<u>97,325</u>	<u>(4,637,951)</u>
 <b>Cash flows from financing activities</b>		
(Payments) advances under line of credit, net	(126,169)	5,979,229
Repayment of long-term note payable	—	(2,050,000)
Net cash (used for)/from financing activities	<u>(126,169)</u>	<u>3,929,229</u>
 Net change in cash and cash equivalents	(147,800)	(7,529,400)
 Cash and cash equivalents at beginning of year	<u>1,214,235</u>	<u>8,743,635</u>
 <b>Cash and cash equivalents at end of year</b>	<u>\$ 1,066,435</u>	<u>\$ 1,214,235</u>
 Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	\$ 57,467	\$ 24,485

*See accompanying notes.*

**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Consolidation: The consolidated financial statements include the financial information of Breeders' Cup Limited ("the Company") 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: Stallion nomination fees are recognized during the calendar year that correspond 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.

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**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

Accounts Receivable: Accounts receivable consist primarily of nomination fees and amounts associated with the Championships. 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 \$127,400 and \$20,000 for the years ended December 2009 and 2008, respectively.

Breeders' Cup Limited requires additional stallion nomination fees, known as Live Foal Assessment Fees, for stallions producing 50 or more live foals in a breeding season. 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 2009 and 2008 were estimated at \$82,250 and \$157,500, 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.

Investment Valuation and Income Recognition: Breeders' Cup Limited's investments are reported at fair value. For purpose of calculating realized gain and losses, the specific identification method is used to determine the carrying value of the investment securities sold. Interest income is recorded on the accrual basis. Dividends are recorded on the ex dividend date.

FASB guidance defines fair value as the price that would be received by the Company for an asset or paid by the Company to transfer a liability (an exit price) in an orderly transaction between market participants. FASB establishes 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 Company 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.

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**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

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

The following describes of the valuation methods and assumptions used by the Company to estimate the fair values of investments.

Level 1 inputs: The fair values of common stock and mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges. Fair values of U.S. Treasury, agency securities and corporate bonds reflect the closing price reported in the active market in which the security, or bond is traded.

Level 2 or 3 inputs: The Company's hedge funds have observable inputs and market activity that allow for pricing based on the underlying market prices of the items in the investments, utilizing the market approach and income approach valuation techniques. Management utilizes information such as historical and current performance of the underlying funds and financial trend analysis with respect to the overall fund compared to benchmark performance ratios.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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

Income Taxes: The Company adopted guidance issued by the FASB with respect to accounting for uncertainty in income taxes as of January 1, 2009. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is 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 is recorded. The adoption of the new guidance did not have an impact on the financial statements.

The Company’s subsidiary for-profit is subject to U.S. federal income tax as well as state income taxes. The Company is no longer subject to examination by taxing authorities for years before December 31, 2005. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense. The Company did not have any amounts accrued for interest and penalties at December 31, 2009.

Subsequent Event: Management has performed an analysis of activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to or disclosures within the financial statements for the year ended December 31, 2009. Management has performed their analysis through April 8, 2010, the date the financial statements were available to be issued.

**NOTE 2 – 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 the NTRA. Breeders’ Cup Limited paid annual membership dues to NTRA in the amount of \$400,000 in 2009 and 2008.

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

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**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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**NOTE 2 – NTRA AND NTRA INVESTMENTS, LLC** *(Continued)*

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 \$0 and \$1,072,786 as of December 31, 2009 and 2008, respectively. 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 3 – INVESTMENTS**

Investments measured at fair value on a recurring basis are summarized below:

Fair Value Measurements at December 31, 2009 Using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Mutual Funds	\$ 9,091,059	\$ -	\$ -	\$ 9,091,059
U.S. Treasury and Agency	5,963,026	-	-	5,963,026
Corporate Bonds	5,879,885	-	-	5,879,885
Hedge funds	-	5,599,578	5,878,445	11,478,023
Total Investments	<u>\$ 20,933,970</u>	<u>\$ 5,599,578</u>	<u>\$ 5,878,445</u>	<u>\$ 32,411,993</u>

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**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Fair Value Measurements at December 31, 2008 Using:

	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	
Common Stock	\$ 6,715,002
Mutual Funds	7,132,381
U.S. Treasury and Agency	10,511,490
Corporate Bonds	<u>4,820,975</u>
 Total Investments	 <u>\$29,179,848</u>

Reconciliations of beginning and ending balances for the Company's fair value measurements using Level 3 inputs for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Assets at beginning of year	\$ -	\$ -
Investment return	378,445	-
Purchases	<u>5,500,000</u>	<u>-</u>
Assets at end of year	<u>\$ 5,878,445</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
Investment income	\$ 947,770	\$ 959,424
Investment management fees	<u>(184,908)</u>	<u>(107,917)</u>
	<u>\$ 762,862</u>	<u>\$ 851,507</u>

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*(Continued)*

**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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**NOTE 4 – 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.

**NOTE 5 – 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 \$4,600,000 and \$3,800,000 at December 31, 2009 and 2008 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 6 – LINE OF CREDIT**

Breeders' Cup Limited has a revolving line of credit with a bank in the amount up to \$15,000,000 and \$10,000,000 in 2009 and 2008, respectively. The current line of credit matures on June 30, 2010 and bears interest at 2% below the prime interest rate. Advances outstanding under the line were \$5,853,060 and \$5,979,229 as of December 31, 2009 and December 31, 2008, respectively. In addition to containing various covenants, the line of credit is secured by a pledge agreement in which the Company grants to the bank a security interest in certain investments of the Company. The market value of the pledged securities was \$22,000,405 and \$30,394,084 as of December 31, 2009 and December 31, 2008, respectively.

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**BREEDERS' CUP LIMITED**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2009 and 2008

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**NOTE 7 – 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. Additionally, in 2009, Breeders' Cup Limited eliminated multiple positions and entered into separation agreements totaling \$338,371. This amount is included in the consolidated statements of activities and changes in net assets as separation agreements in 2009. All separation liabilities have been discounted to a present value of \$391,567 and \$307,063 as of December 31, 2009 and 2008, respectively.

**NOTE 8 – LITIGATION**

From time to time, the Company is involved in litigation arising in the normal course of business. After consultation with legal counsel, it is management's opinion that these matters will be resolved without material adverse effect on the consolidated statement of financial position or statement of activities.

**NOTE 9 – RETIREMENT PLANS**

The Company maintains a 401(k) Retirement Plan that 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 Company contributes an amount equal to four percent of a covered employee's compensation. In addition, the Company matches amounts contributed by covered employees. Matching contributions amount to 100% of the first three percent of employees contributions. The Company also paid all administrative costs of the plan. In 2009 and 2008, the Company's contributions to the plan totaled \$200,065 and \$206,890, respectively.

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