

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-02-10** | Period of Report: **1993-12-31**  
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FILER

**INTERNATIONAL THOROUGHBRED BREEDERS INC**

CIK: **320573** | IRS No.: **222332039** | State of Incorporation: **DE** | Fiscal Year End: **0630**  
Type: **10-Q** | Act: **34** | File No.: **001-08874** | Film No.: **94505993**  
SIC: **7948** Racing, including track operation

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended December 31, 1993  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 0-9624

International Thoroughbred Breeders, Inc.  
(Exact name of registrant as specified in its charter)

Delaware 22-2332039  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

P.O. Box 1232 Cherry Hill, New Jersey 08034  
(Address of principal executive offices) (Zip Code)

(609) 488-3838  
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the last 90 days.

Yes  No

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Class	Outstanding at January 28, 1994
Common Stock, \$ 2.00 par value	9,551,216

INTERNATIONAL THOROUGHBRED BREEDERS, INC.

FORM 10-Q

QUARTERLY REPORT

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INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1993 AND JUNE 30, 1993

ASSETS

<CAPTION>

	December 31, 1993 (UNAUDITED)	June 30, 1993
<S>	<C>	<C>
CURRENT ASSETS:		
Cash	\$ 4,961,318	\$ 5,009,733
Short-Term Investments	9,240,177	10,327,922
TOTAL CASH AND CASH EQUIVALENTS	14,201,495	15,337,655
Restricted Cash and Investments	178,920	1,945,017
Accounts Receivable - Net	4,234,239	727,692
Prepaid Expenses	379,993	590,381
Accrued Interest Receivable	38,658	4,171
Other Current Assets	9,531	14,858
TOTAL CURRENT ASSETS	19,042,836	18,619,774
LAND, BUILDINGS, EQUIPMENT AND LIVESTOCK (4):		
Land and Buildings	51,684,329	51,512,558
Equipment	1,616,884	1,529,394
Livestock	187,951	1,182,011
TOTAL LAND, BUILDINGS, EQUIPMENT AND LIVESTOCK	53,489,164	54,223,963
LESS: Accumulated Depreciation	539,142	1,174,590
TOTAL LAND, BUILDINGS, EQUIPMENT AND LIVESTOCK - NET	52,950,022	53,049,373
OTHER ASSETS:		
Deposits and Other Assets	417,207	594,395
TOTAL OTHER ASSETS	417,207	594,395
TOTAL ASSETS	\$ 72,410,065	\$ 72,263,542

See Notes to Financial Statements.

</TABLE>

<TABLE>

CONSOLIDATED BALANCE SHEETS  
AS OF DECEMBER 31, 1993 AND JUNE 30, 1993

LIABILITIES AND SHAREHOLDERS' EQUITY  
<CAPTION>

	December 31, 1993 (UNAUDITED)	June 30, 1993
<S>	<C>	<C>
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 2,303,556	\$ 4,455,994
Notes Payable - Current Portion	25,000	35,418
TOTAL CURRENT LIABILITIES	2,328,556	4,491,412
DEFERRED INCOME	375,469	414,741
LONG-TERM LIABILITIES	25,000	50,000
COMMITMENTS AND CONTINGENCIES	0	0
SHAREHOLDERS' EQUITY:		
Series A (Convertible) Preferred Stock \$100 Par Value, Authorized 500,000 Shares, Issued and Outstanding, 362,428 and 441,664 Shares, Respectively (3)	36,242,775	44,166,375
Common Stock \$2.00 Par Value, Authorized 25,000,000 Shares, Issued and Outstanding, 9,551,195 and 9,511,415 Shares, Respectively	19,102,389	19,022,830
Capital in Excess of Par (June 30, 1993 reflects quasi-reorganization) (4)	11,962,225	4,118,184
Retained Earnings (subsequent to June 30, 1993, date of quasi-reorganization, total deficit eliminated \$102,729,936) (4)	2,373,651	0
TOTAL SHAREHOLDERS' EQUITY	69,681,040	67,307,389
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 72,410,065	\$ 72,263,542

See Notes to Financial Statements.

</TABLE>

<TABLE>

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
FOR THE SIX MONTHS ENDED DECEMBER 31, 1993  
(UNAUDITED)

<CAPTION>

	Common Number of Shares	Amount
<S>	<C>	<C>
BALANCE - JUNE 30, 1993	9,511,415	\$ 19,022,830
Shares Issued for Fractional Exchanges With Respect to the One-for-twenty Reverse Stock Split effected on March 13, 1992	151	302
Exchange of Preferred Stock for Common Stock (3)	39,629	79,257
Net Income for the Six Months Ended December 31, 1993	---	---
BALANCE - DECEMBER 31, 1993	9,551,195	\$ 19,102,389

<CAPTION>

	Preferred Number of Shares	Amount
<S>	<C>	<C>
BALANCE - JUNE 30, 1993	441,664	\$ 44,166,375
Shares Issued for Fractional Exchanges With Respect to the One-for-twenty Reverse Stock Split effected on March 13, 1992	21	2,100
Exchange of Preferred Stock for Common Stock (3)	(79,257)	(7,925,700)
Net Income for the Six Months Ended December 31, 1993	---	---
BALANCE - DECEMBER 31, 1993	362,428	\$ 36,242,775

<CAPTION>

Capital in Excess of Par	Retained Earnings	Total
--------------------------------	----------------------	-------

<S>	<C>	<C>	<C>
BALANCE - JUNE 30, 1993	\$ 4,118,184	\$	0 \$ 67,307,389
Shares Issued for Fractional Exchanges With Respect to the One-for-twenty Reverse Stock Split effected on March 13, 1992	(2,402)	---	---
Exchange of Preferred Stock for Common Stock (3)	7,846,443	---	---
Net Income for the Six Months Ended December 31, 1993	---	2,373,651	2,373,651
BALANCE - DECEMBER 31, 1993	\$ 11,962,225	\$ 2,373,651	\$ 69,681,040

See Notes to Financial Statements.

</TABLE>

<TABLE>

CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE AND SIX MONTHS ENDED  
DECEMBER 31, 1993 AND 1992  
(UNAUDITED)

<CAPTION>

	Three Months Ended December 31,	
	1993	1992
<S>	<C>	<C>
REVENUES:		
Revenue from Operations	\$11,282,588	\$ 9,438,277
Investment Income Revenue	114,052	1,607,427
TOTAL REVENUES	11,396,640	11,045,704
EXPENSES:		
Cost of Revenues	3,648,189	2,479,430
Operating Expenses	5,553,461	5,570,080
Depreciation & Amortization (4)	132,017	1,503,897
General & Administrative Expenses	1,345,690	1,312,466
Interest Expense	0	297,079
TOTAL EXPENSES	10,679,357	11,162,952
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES AND NON-OPERATING INCOME	717,283	(117,248)

NON-OPERATING INCOME (6)	1,125,000	0
INCOME (LOSS) BEFORE TAXES	1,842,283	(117,248)
LESS: Income Tax Expense (2)	0	0
NET INCOME (LOSS)	\$ 1,842,283	\$ (117,248)
NET INCOME (LOSS) PER SHARE (7)	\$ 0.19	\$ (0.01)

<CAPTION>

	Six Months Ended	
	December 31,	
	1993	1992
<S>	<C>	<C>
REVENUES:		
Revenue from Operations	\$18,743,653	\$16,213,729
Investment Income Revenue	234,588	3,203,348
TOTAL REVENUES	18,978,241	19,417,077
EXPENSES:		
Cost of Revenues	4,737,004	3,429,343
Operating Expenses	10,236,958	10,670,134
Depreciation & Amortization (4)	272,925	2,762,358
General & Administrative Expenses	2,482,703	2,555,418
Interest Expense	0	638,693
TOTAL EXPENSES	17,729,590	20,055,946
INCOME (LOSS) FROM OPERATIONS BEFORE TAXES AND NON-OPERATING INCOME	1,248,651	(638,869)
NON-OPERATING INCOME (6)	1,125,000	0
INCOME (LOSS) BEFORE TAXES	2,373,651	(638,869)
LESS: Income Tax Expense (2)	0	0
NET INCOME (LOSS)	\$ 2,373,651	\$ (638,869)
NET INCOME (LOSS) PER SHARE (7)	\$ 0.25	\$ (0.08)

Results from operations are materially affected as a result of the quasi-reorganization effective June 30, 1993.

See Notes to Financial Statements.

</TABLE>

<TABLE>



CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED DECEMBER 31, 1993 AND 1992  
(UNAUDITED)

<CAPTION>

	Six Months Ended December 31,	
	1993	1992
<S>	<C>	<C>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 17,864,222	\$ 15,914,220
Cash Paid to Suppliers and Employees	(19,191,756)	(19,787,817)
Interest Received	200,101	123,964
Interest Paid	0	(638,693)
Change in Restricted Cash & Investments	1,766,097	1,456,418
NET CASH PROVIDED (USED) BY OPERATIONS	638,664	(2,931,908)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Livestock	391,612	170,808
Proceeds from Sale of Equipment	67,000	35,300
Decrease in Mortgage Receivable	0	264,042
Interest Received on Investments	0	3,072,019
Capital Expenditures	(375,206)	(142,341)
Purchase of Investment	(2,000,000)	0
Decrease in Other Investment Activity	177,188	9,617
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(1,739,406)	3,409,446
CASH FLOWS FROM FINANCING ACTIVITIES:		
Sale of Common Stock	0	8,993,829
Principal Payments on Long Term Notes	(35,418)	(3,037,502)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(35,418)	5,956,327
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,136,160)	6,433,865
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,337,655	1,792,155
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	\$ 14,201,495	\$ 8,226,020

See Notes to Financial Statements.

</TABLE>

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS  
Unaudited

(1) INTEREST EXPENSE

All interest expense of the subsidiaries is considered expense of the parent company. The parent company is due interest on funds it has advanced to Garden State Park for the purchase, construction and equipping of the racetrack and funding its operations as needed. As of December 31, 1993, such advances totaled \$131,723,919 to Garden State Park, in addition to initial capitalization of \$86,130,000 provided by the net proceeds of the Company's preferred stock offering in July, 1983. The interest on these advances was computed at the prime lending rate of 6% during the periods. The resulting interest owed to the parent company for the three and six months ended December 31, 1993 by Garden State Park was \$1,992,099 and \$3,984,197, respectively.

(2) INCOME TAX EXPENSE

For the six months ended December 31, 1993, the Company incurred a tax loss of approximately \$1,553,424. A difference of \$3,927,075 to the Company's financial income of \$2,373,651 is the result of permanent differences (primarily tax depreciation of \$4,200,000) due to the quasi-reorganization. Therefore, the Company did not make a provision for income taxes for the period.

When the Company incurs income taxes in the future, any future income tax benefits resulting from the utilization of net operating losses and other carryforwards existing at June 30, 1993 to the extent resulting from the quasi-reorganization, will be excluded from the results of operations and credited to paid in capital. (See Note 4).

Effective July 1, 1993, the Company adopted FAS 109 Accounting for Income Taxes. The Company has a deferred tax asset of approximately \$62,000,000 arising from a net operating loss carryforward of \$155,000,000. However, due to the uncertainty that the Company will generate income in the future sufficient to fully or partially utilize these carryforwards, this net operating loss carryforward is offset by an allowance of \$62,000,000. The effect of adoption on current and prior financial statements is immaterial.

(3) PREFERRED STOCK CONVERSION

The conversion period for the company's Series A Convertible Preferred Stock concluded as of July 31, 1993.

(4) QUASI-REORGANIZATION

The Company adjusted its June 30, 1993 balance sheet to fair value and transferred the accumulated deficit of \$102,729,936 to Capital in Excess of

Par in accordance with quasi-reorganization accounting principles. The effect of the quasi-reorganization will be that current and future operations will reflect depreciation and amortization which is more consistent with current value. Current and future operating statements will not be comparable to those ending through June 30, 1993.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS  
Unaudited

(5) COMMITMENTS AND CONTINGENCIES

On October 20, 1993, the United States District Court for the District of New Jersey signed an order granting preliminary approval to a proposed partial settlement of the consolidated class action pending since 1986 against the Company, its officers and directors and various other defendants alleging various violations of federal securities laws and other statutes. Although the Company believes this lawsuit is totally without merit, it has incurred approximately \$1,150,000 in legal expense in defending against the lawsuit and would have been required to expend significant additional amounts to continue the defense through trial. Therefore, in order to avoid further expense, inconvenience and delay and to dispose of this expensive, burdensome and protracted litigation, the Company executed the proposed partial Settlement Agreement. The proposed partial settlement requires the Company to make a \$250,000 settlement payment and an additional payment of up to \$150,000 contingent upon receipt of future amounts by the Company from its sale of the Philadelphia Park mortgage note. If effectuated, the settlement would dispose of all class claims made against the Company, its officers and directors and all derivative claims made on behalf of the Company against all parties in the litigation. As part of the proposed settlement, the Company's directors and officers' liability insurance carrier will pay \$3,125,000 plus an additional \$4,125,000 which latter amount is subject to reduction on a dollar for dollar basis in the event of collections from certain Non-Settling Defendants or in the event of collection of any of the above described \$150,000 contingency payment. The proposed Settlement Agreement is subject to final court approval and various other conditions and no assurances can be given that it will take effect.

In the event the proposed Settlement Agreement does not take effect, the Company intends to continue to vigorously contest this lawsuit.

As of September 27, 1993, the Company entered into development and management agreements with Gale and Wentworth, Inc., a real estate company of Florham Park, New Jersey, to develop an unused 56 acre portion of the property at the Garden State Park racetrack as a retail shopping center.

(6) NON-OPERATING INCOME

During the quarter ended December 31, 1993, the Company recognized a

\$1,125,000 gain on the sale of an investment as non-operating income.

(7) NET INCOME (LOSS) PER SHARE

Income/(Loss) per share for the three months and six months ended December 31, 1993 and 1992 is computed on the weighted average number of shares outstanding. Convertible Preferred Stock has not been included in the 1992 computation since their inclusion as a common stock equivalent would result in anti-dilution. The conversion period for the Series A Convertible Preferred Stock concluded as of July 31, 1993, therefore the Convertible Preferred Stock has not been included in the 1993 computation. The number of shares used in the computations were 9,539,796 and 9,509,396 for the three months ended December 31, 1993 and 1992, respectively and for the respective six month periods were 9,544,622 and 8,399,688.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS  
Unaudited

(8) OPINION OF MANAGEMENT

In the opinion of management, these interim financial statements reflect all adjustments consisting only of normal recurring accruals which are necessary to present a fair statement of the results of operations for the interim periods presented. These statements should be read in conjunction with the Summary of Significant Accounting Policies and notes contained in the Company's Annual Report (Form 10-K) for the year ending June 30, 1993.

(9) NEW AUTHORITATIVE PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions," Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Investments," and Financial Accounting Standards No. 109, "Accounting for Income Taxes." Companies are required to adopt the new methods of accounting within the next year. However, the adoption of the new statements is not expected to have a material impact on the Company's financial position or results of operations. The Company currently does not have postretirement benefits. The Financial Accounting Standards No. 107 and No. 109 were adopted on July 1, 1993.

(10) SUBSEQUENT EVENTS

A settlement agreement containing certain contingencies has been reached on real estate tax appeals with the township of Cherry Hill for the racetrack property. If the settlement is effectuated, the original assessment of \$88,203,100 will be reduced to \$72,000,000 effective as of January 1, 1994. This new assessment would reduce the real estate taxes on the racetrack

property by approximately \$415,000 per year based upon current tax rates.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

REVIEW BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
FOR THE SIX MONTHS ENDED DECEMBER 31, 1993 AND 1992

An independent accountant has reviewed the financial information herein in accordance with standards established by the American Institute of Certified Public Accountants. All adjustments and additional disclosures proposed by said independent accountants have been reflected in the data presented.

REVIEW REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors and Shareholders

International Thoroughbred Breeders, Inc.  
and Subsidiaries

We have reviewed the Consolidated Balance Sheet as of December 31, 1993 and the Consolidated Statements of Shareholders' Equity, Operations, and Cash Flows of International Thoroughbred Breeders, Inc. and Subsidiaries for the three month and six month periods ended December 31, 1993 and 1992. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the Consolidated Balance Sheet as of June 30, 1993, and

the related Consolidated Statements of Operations, Statement of Shareholders' Equity, and Cash Flows for the year then ended (not presented herein); and have issued our report thereon dated October 6, 1993. In our opinion, the information set forth in the accompanying consolidated balance sheet as of June 30, 1993, is fairly stated in all material respects in relation to the Consolidated Balance Sheet from which it has been derived.

MORTENSON AND ASSOCIATES, P.C.  
Certified Public Accountants

Cranford, NJ  
January 25, 1994

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED DECEMBER 31, 1993  
AND FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

OPERATIONS

Total revenues for the three months ended December 31, 1993 increased \$350,935 or 3% compared to the three months ended December 31, 1992. For the six month period ended December 31, 1993, total revenues decreased \$438,836 or 2% in comparison to the same period last year. Both the increase and decrease in revenues primarily reflect the net effect of: (1) a 14% increase in revenues generated by the racetrack segment in the first half of fiscal 1994 as compared to the first half of fiscal 1993; (2) increased revenues generated by the breeding segment during the comparable periods; reduced by (3) a significant decrease in interest income as a result of the sale in January, 1993, of the mortgage note held on Philadelphia Park.

The Company realized net income from operations of \$1,248,651 and \$717,283 for the respective six and three month period ended December 31, 1993 as compared to a net loss of \$638,869 and \$117,248 for the comparable periods in fiscal 1993. The change of \$1,887,520 and \$834,531 from net losses to net income for the respective three and six month periods just ended primarily resulted from: (1) operating profits generated by Garden State Park and the breeding segment; partially offset by (2) decreased interest income as a result of the sale of the note held on Philadelphia Park.

Depreciation expense for the six and three months ended December 31, 1993 was \$272,925 and \$132,017 as compared to \$2,762,358 and \$1,503,897 for the comparable periods in the last fiscal year. The significant decreases of \$2,489,433 and \$1,371,880 were primarily due to the quasi-reorganization of the Company's assets at June 30, 1993 which reduced the assets to fair values. (See Note 4)

Garden State Park

During the three and six months ended December 31, 1993, Garden State Park realized income of \$774,393 and \$1,503,138, respectively before interest due the parent company of \$1,992,099 and \$3,984,197 for the three and six month periods, respectively.

Quarterly and year-to-date net income at Garden State Park for the current fiscal year as compared to the net losses for last year are as follows:

	Net Income/(Loss)		Net Loss
	Fiscal 1994	Fiscal 1993	Decrease
1st Quarter	\$ 728,745	\$(1,274,657)	\$(2,003,402)
2nd Quarter	774,393	(971,790)	(1,746,183)
Year-to-Date	\$1,503,138	\$(2,246,447)	\$(3,749,585)

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED DECEMBER 31, 1993  
AND FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

Garden State Park (Continued)

During the three months ended December 31, 1993, Garden State Park's revenue increased \$1,540,396 or 16.5% when compared to the same period last year, primarily reflecting the net effect of: 1) a 123% increase in revenues generated from the simulcasting of the live races to out-of-state racetracks in addition to the simulcasting into the Atlantic City Casinos; 2) a 14% increase in revenues generated from simulcasting of Garden State Park races into other New Jersey racetracks; offset by 3) a 19% decrease in revenues generated by live on-track racing. The significantly smaller percentage increase in Garden State Park simulcasting into the other New Jersey racetracks reflects the increased competition between all New Jersey racetracks for simulcast signals as a result of the addition of out-of-state simulcasting. Expenses decreased \$205,787 or 2% for the three months ending December 31, 1993 when compared to the same period last year primarily as a result of: 1) a significant decrease in depreciation and amortization

primarily as a result of the quasi-reorganization at June 30, 1993 which adjusted the racetrack's assets to market value; 2) a net decrease in operating expenses primarily as a result of the continuation of a cost reduction program initiated in fiscal 1993; partially offset by 3) an increase in expenses associated with the increase of simulcasting received from out-of-state racetracks throughout the country. The increase in revenues and the decrease in expenses primarily accounted for the racetrack realizing net income from operations of \$774,393 for the three months ended December 31, 1993 as compared to a loss of \$971,790 during the three months ended December 31, 1992.

During the six months ended December 31, 1993 Garden State's revenue increased \$2,285,829 or 14% when compared to the same period last year, primarily reflecting the net effect of increased revenues generated by New Jersey and out-of-state simulcasting and decreased revenues generated by live racing as discussed above. Expenses decreased \$1,463,756 or 8% for the six months ending December 31, 1993 when compared to the same period last year primarily as a result of the significant decrease in depreciation expense partially offset by the increased operating expenses discussed above. As a result of increased revenues and decreased expenses, Garden State Park realized income of \$1,503,138 for the first half of fiscal 1994 as compared to a loss of \$2,246,447 for the first half of fiscal 1993.

Average daily on-track attendance and wagering at the track's 1993 Standardbred (harness) Meet, which began September 8, and ended December 11, 1993 (running 14 days in the first fiscal quarter and 41 days in the second fiscal quarter of the year) decreased 21% and 22%, respectively, averaging 2,674 and \$237,558 per day, respectively, during the 1993 Meet, as compared to 3,330 and \$303,908 per day, respectively, during the 1992 Standardbred Meet (running 13 days in the first quarter and 40 days in the second quarter of fiscal 1993).

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED DECEMBER 31, 1993  
AND FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

Garden State Park (Continued)

The following summarizes the average handle associated with the simulcast activity at Garden State Park during the first six months of both fiscal 1994 and 1993.

<TABLE>

<CAPTION>



July 1 thru December 31,

FISCAL 1994

FISCAL 1993

		Number	Average	Number	Average
		of Days	Handle	of Days	Handle
<S>	<C>	<C>	<C>	<C>	<C>
SIMULCAST OF GARDEN STATE PARK RACES TO:					

MONMOUTH	(S)	55	21,958	0	0
FREEHOLD	(S)	55	83,757	52	105,829
ATLANTIC CITY	(S)	0	0	53	31,691
MEADOWLANDS	(S)	55	444,343	52	373,375
OUT-OF-STATE TRACK	(S)	55	367,498	53	164,549
A.C. CASINOS	(S)	55	33,228	0	0

SIMULCAST OF RACES TO  
GARDEN STATE PARK RACES FROM:

MONMOUTH	(T)	49	110,920	49	175,176
ATLANTIC CITY	(T)	48	117,337	49	185,868
MEADOWLANDS	(T)	68	132,925	69	214,521
FREEHOLD	(S)	114	41,576	107	60,959
MEADOWLANDS	(S)	38	138,201	38	187,307
OUT-OF-STATE TRACK	(T,S)	183	213,356	163	110,052

(T)=Thoroughbred Races

(S)=Standardbred (Harness) Races

</TABLE>

Garden State Park's 1994 Thoroughbred Meet began January 13, 1994 and is scheduled to run through May 28, 1994. Racing is currently scheduled four times a week during the 79 racing date meet. Racing will be conducted at night on all dates included in the schedule. As of February 1, 1994, eight nights of Thoroughbred racing and six nights of simulcast receiving had been cancelled due to inclement weather. At this time it is uncertain whether all or a portion of the lost live racing days will be rescheduled.

The Company has received approval from the New Jersey Racing Commission to run a 51 night harness meet from September 7 through December 3, 1994.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED DECEMBER 31, 1993  
AND FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

## Breeding Operations

Revenues and expenses for the six months ended December 31, 1993 from breeding operations were less than 3% and 2% of total revenues and expenses, respectively, of the corporation for the period.

Revenues from breeding operations for the three months ended December 31, 1993 and 1992 were \$441,720 and \$94,825 for the respective quarters representing an increase of \$346,895 during the comparable periods. Revenues for the six months ended December 31, 1993 and 1992 were \$503,965 and \$185,389, respectively, representing an increase of \$318,576. These increases are primarily a result of the breeding stock sold during comparable periods being significantly increased in value.

The cost of revenues generated by the breeding segment in the second quarter of fiscal 1994 was \$132,103, representing an increase of \$66,761 over the same quarter last fiscal year and on a fiscal year-to-date basis was \$163,661, representing a \$21,313 increase over last fiscal year-to-date primarily as a result of the higher cost of bloodstock sold during comparable periods. Operating and depreciation expenses for the three and six months ended December 31, 1993 were reduced \$48,196 or 47% due to the number of animals owned during the periods being significantly reduced. Total expenses for the breeding segment for the three months ended December 31, 1993 and 1992 were \$204,958 and \$166,390 respectively, and \$297,719 and \$404,593 for the respective six months then ended.

The breeding operations realized income of \$236,762 and \$206,246 before taxes for the three and six months ended December 31, 1993 as compared to a loss of \$71,565 and \$219,204 for the comparable periods in fiscal 1993 primarily as a result of the increased revenues and decreased expenses generated in this fiscal year from the bloodstock sales discussed above.

## LIQUIDITY AND FINANCIAL RESOURCES

### Consolidated and Racetrack Segment

The Company's working capital as of December 31, 1993 was \$16,714,280 which represents an increase of \$6,443,956 from the first half of fiscal 1993. This increase is primarily the net result of; 1) the cash proceeds from sale of the Philadelphia Park Mortgage reduced by the retirement of the Garden State Park mortgage notes in the third quarter of fiscal 1993; 2) the gain on the sale of one of the Company's investments and 3) positive cash flow from operations.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

MANAGEMENT'S ANALYSIS OF FINANCIAL CONDITIONS  
AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED DECEMBER 31, 1993  
AND FOR THE SIX MONTHS ENDED DECEMBER 31, 1993

Breeding Segment

At December 31, 1993, the Company owned 3 thoroughbred broodmares, 5 stallion shares in 6 thoroughbred stallions, various seasons, one foal, one other horse and a two thirds interest in one other horse.

During fiscal 1994 the Company plans to continue a reduction of its bloodstock holdings begun during fiscal 1986 in response to what management believed to be a long term downturn in the bloodstock market and the continuing need to raise cash for the operating requirements of the racetrack.

INFLATION

To date, inflation has not had a material effect on the Company's operations.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

PART II

OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

(a) The Registrant's Annual Meeting of Stockholders was held on Wednesday, December 13, 1993.

(b) At said meeting, the following seven individuals were elected to serve as directors until the next annual meeting of stockholders and until their successors are elected and qualified.

Robert E. Brennan  
Charles R. Dees, Jr.  
Joseph K. Fisher  
Kerry B. Fitzpatrick  
Robert J. Quigley  
Ronald J. Riccio  
Arthur Winkler

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

Exhibit Number	Description of Exhibit	Incorporated by Reference to
21.1	Notice, Proxy Statement and Form of Proxy Previously Filed for the Registrant's Annual Meeting of Stockholders to be held on December 13, 1993.	

(B) Reports on Form 8-K:

The Company did not file any reports on 8-K with respect to the quarter ended December 31, 1993.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.  
AND SUBSIDIARIES

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

INTERNATIONAL THOROUGHBRED BREEDERS, INC.

February 2, 1994

/s/Arthur Winkler  
Arthur Winkler  
President and Director

February 2, 1994

/s/William H. Warner  
William H. Warner  
Treasurer, Principal Financial and  
Accounting Officer

