



Race Track Industry Program

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### Racehorse Ownership — From Bloodstock to Stock Market

**Moderator/Speaker:**

**Jeff Lifson**, Executive Vice President Midwest Operations, West Point Thoroughbreds, Inc.

**Speakers:**

**Valentine Feerick**, Chief Executive Officer, [www.blood-ex.com](http://www.blood-ex.com)

**MR. RON ALLEN:** Come on in the meeting room, we're about to start our second panel. Before we start, however, I want to thank our sponsors. The sponsors for the refreshment break you've just enjoyed, Caliente/MIR, thank you very much. I'd also like to announce our sponsors for the upcoming luncheon and awards and that sponsor is AmTote, and we're very grateful for your sponsorship support. This next session on "Racehorse Ownership — From Bloodstock to Stock Market" is sponsored by Racing & Gaming Services. To lead this discussion, to moderate and to speak, Mr. Jeff Lifson, many of you may recognize Jeff from his days on TVG. To start it off, he's a native of Iowa, went to Williams College and then went to journalism school at Northwestern. He ended up in Kentucky at a television station in Louisville prior to his TVG experience. Since 2004 he's been working for one of the exciting, innovative ownership groups, West Point Thoroughbreds. Today Jeff is going to start off and tell us about ownership. I tried to sell him a New Mexico-bred yearling a while ago, I didn't have much luck, but I'm going to keep trying later. Jeff.

**MR. JEFF LIFSON:** Thanks, Ron. We just finished up the yearling season so that's one reason that our inventory is a little bit on the high side, but we'll talk New Mexico-breds in a little bit, I promise you. Let me move ahead here to sort of home base. Let me start off this discussion by telling you how much I like and have liked and will continue to like Epcot. I was down at the OBS February sale

several years ago, and my wife came with me and my family came with me, my two kids. And we needed something to do that would occupy my wife and my kids while I was up evaluating horses with Terry Finley and Buzz Chase, who help buy our horses. Epcot, Disney, we've got a timeshare, we kind of flipped it, kind of worked the magic that intervalworld.com can help you out with and we found ourselves a terrific little place on the Disney property and we went over to Epcot, amongst other places, but the theme park I liked the best was Epcot.

I had a chance to go to Europe as a kid and as a college student, even as a young adult, but I really haven't been able to, for time purposes and quite honestly for the expense, haven't been able to go over to Europe with my family on a regular basis. But I was stunned. There we were sitting with my family at an Italian restaurant, speaking Italian with a native Italian; walking from one country to the next country to the next country, and I thought, this is pretty neat, this is so Disney, this is so much of why people continue to go back to Disney and go back to that brand, knowing what they can expect.

So why the hell am I talking to you about Epcot when what I do is sell horses and do client services? The reason I say that is because I think of our company as an Epcot-type of experience for the majority of the owners. We've got 400-some clients, partners, as we call them at West Point Thoroughbreds. They can't go to Europe, either for time purposes or for expense purposes. They're not W.T. Young. They don't have Wayne Lukas going out and buying horses for them or Bob Lewis, some of the single-ownership entities that are out there. They may not have the means or they may not have the time, but they want to be a part of the dream; they want to be a part of going to Europe; they want to be a part of a stakes horse; they want to be a part of a horse that starts at Saratoga in a maiden special weight and get the PPs the night before and start looking at all the million-dollar babies that they're facing. So that's what we do. We try to make it an Epcot-like experience at West Point Thoroughbreds and I would imagine based on the things I've seen from competitors and conversations, etcetera, that it's a similar type of deal in North America. The model for North American partnerships, starting with Dogwood, and now there's a number of competitors out there, is pretty simple. We won't spend a great deal of time in this particular discussion because Val's got some incredible stuff to talk about, and it's fairly well-known what you do in a partnership situation in North America. It's becoming much and much more a part of the racing scene. I don't think there's any empirical evidence or data that tells us how big a percentage partnerships are in racing, formal partnerships or even ad hoc partnerships, as opposed to just the single owner model, but I would base it on kind of anecdotal sort of review of any kind of Daily Racing Form PP page that it's getting bigger and bigger and bigger.

So the model is to make Disney available, Epcot available, to people who have the means to get down to Disneyworld, to buy a piece — five percent, two and a half percent, 10 percent of a racehorse — and to give them the experience so they think they've gone to Europe, they've had a conversation with an Italian native and they're ordering wine. Because that's what I did at Epcot, and I speak a little Italian and it sounded real and his accent was good. This is what we do at West

Point to establish that Epcot, that fantasy, that dream-like atmosphere for our clients.

Starting at no apparent point on the page, let's go up to the left-hand corner, success, equine. We've been to the Derby, we've had graded stakes winners, we've appeared in a number of classic races, and if you go clockwise to the next slide, we've had some success in the sales arena. Just recently we've been blessed to sell seven-figure-type of horses, Dream Rush, last year in 2007, this year Lear's Princess in 2008, both for upwards of two, three million dollars. So we've proven it, we've done it, our competitors have done it as well, too. Those people, including a firefighter from central Florida, never would have been able to do that, I would guess, or have a very low percentage of doing that, unless they had joined on with the West Point-Epcot-Disney team. I'm not going to dwell on each one of these specifically, but we have some very important customer services, client services that we've innovated over the years and we'll discuss those in a few moments. We have some great industry relationships that we encourage our partners to be a part of. I'll give you a specific instance. On the corporate level, we have some of our partners that have joined the various boards like the NYRA Best Program, which is the backstretch improvement program, and we have a number of our partners that are a part of that, so they're not just a part of the game from the racing standpoint, but also from a corporate standpoint.

On the equine side of things, we encourage our partners to come down to the sales, to hold hands with Buzz Chase, which is a dangerous thing if anybody's ever met Buzz Chase before, but to spend time with him at the sale, he's one of the preeminent bloodstock agents in the world and we're lucky to have him as our counselor. We interact with our partners and encourage them to come to these various industry events and to be introduced and spend time with the major players in the game. We have access to them and we can be the conduit for that.

Our business philosophy: integrity, transparency, professionalism, great communications, etcetera. So those are the tenets of West Point and any, I think, formalized partnership company.

When I look at 2009 and beyond, how does 2009 look like for us? From strictly a budgetary standpoint, our partnership companies, like everybody else, are nervous and worried about the economic downturn in the country. I will share with you that at West Point we're on budget. We've had a good year, successful year, profitable year, and we expect to have one in 2009. We expect some one-time or maybe several-year market shifts from the standpoint that we expect it to be a buyer's market at the first sale, OBS sale in February. We will be aggressive. We will be expecting to buy horses, we hope, for a little less, the ones that we want, knowing, as the markets have shown over the last several months, yearling markets, that the good horses are still bringing good money.

We have already seen to some degree what I call a push-down effect, where you have single, individual owners, people that have gone out and bought horses over the years, they've paid the full freight, the 30, 40, 50, \$60,000 a year in

training bills, that are thinking about staying involved in the game because, quite frankly, they love it. But maybe they're feeling some outside economic pressure, and there's a push-down effect. We're seeing a few, at least early on, a few folks that have been historically just single-entity owners that are now joining up with partnerships in order to spread their risk and spread their budget. There is also a pull-up effect in the sense that, with those people we've been able to maybe afford a few higher-priced horses and pulling up folks that have been with us on the partnership side, into higher quality horses. So those are actually all very positive things that we see going forward in 2009.

Final slide here has to do with really one of the most important parts of our business plan or our vision at West Point. We think, over time, just because Buzz and Terry and the rest of our evaluation team are pretty darn good and we've picked out some pretty nice horses over the years, that over time, if you spread your risk you're going to have the kind of successes that we anticipate at the racetrack. If we don't we're in deep trouble, but year in, year out, is probably the most important thing to consider.

But what can we do in the way of client services that will allow us to be even more Epcot-like, more of a fantasyland, and a good fantasyland, for our clients? One is video, workouts and offerings. If you go to YouTube, for example, and I encourage any of you to take a look at it, I can show you after the presentation. If you go to YouTube, we have our own subscriber page, West Point Thoroughbreds, and I'm sure that many others have done the same thing. But I will go out, because I live in Louisville, Kentucky, and I will videotape Macho Again working out several days out before the Preakness stakes. That will be up by 10, 11 that morning on our Web sites and a link will go out to all of our clients and our partners that morning so that within a couple of hours of him working out, they will see how he did.

As anybody knows who's ever been around a racetrack, the thing that stuns, bedazzles and sucks people into ownership, I believe, is being a part of that backstretch environment, especially at the right type of racetrack. Like the previous presenter, we have put our fan page on Facebook, we're getting involved with LinkedIn, several of the other sort of social and business networking opportunities out there. And we're currently, really in about out fifth, sixth, 10th big race week diary blog. We've sent Awesome Gem, one of our older horses, over to the Hong Kong races this coming weekend and we have our West Coast representative, version of me, over there doing a blog, doing a diary and trying to be as full and complete as possible in what's going on, not just for the partners but for the overall audience that joins. We have a number of people that, even with the ability to get involved with racehorses at a much less expensive way still can't afford, that are big fans of West Point and speak our praises, etcetera, and are cheerleaders for us down the line. So those are some of the things that are going to be a part of our evolving client services and our evolving branding going forward.

That is a very brief synopsis of what we're up to in the North American standard partnership-type of experience. I said that Val is going to be delivering

something that I think is incredibly exciting. I've researched it a little bit, spent some time with him yesterday, and I'm thrilled to be able to be the moderator for another form of racehorse ownership that I think has great potential and a great deal of excitement to go along with it.

Val Feerick is a gentleman from England who has spent time in the States; he comes here and has bought yearlings and weanlings, races over in Europe. He wears a number of different hats, including his company that deals on a CEO level, consulting-type of basis with Fortune 500 companies, FTSE 250 companies, a businessman's businessman and yet somebody who has seen the ability to turn a profit in the racing game and has done so on the sales and bloodstock level. He is innovative, he's put together another company that deals with gathering experts in every different field that you would think of, I promise you, Val, I haven't screwed this up yet, and almost in any imaginable field, putting together project teams for Fortune 500 companies or FTSE 250 companies with experts that are just waiting for the phone call, that could be assembled as a team, brought together, put together something spectacular for a company and then go their separate ways. He's put together a database and a way of delivering those types of people that I think is unparalleled in worldwide business industry. So without any further ado, let me introduce Val Feerick, my new friend and somebody that I think is going to be fascinating and in my estimation, a little bit on the brilliant side in terms of what he's looking forward to in terms of horse ownership and the bloodstock side of things. Val Feerick.

**MR. VALENTINE FEERICK:** Hi everybody. It's a long way from the United Kingdom, but I came over on Sunday and have to head back this evening but I just want to say a very big thank you for the warm welcome that everybody has given to me, it's been really great fun. I'll tell you a little amusing story. While I was here, my eldest daughter, I spoke to her on the phone and she told me that she had brought home her first-ever boyfriend to our house, so I said, Well, what's his name?

And she said, His name is Billy.

And I said, Billy? I said, Okay, why don't you go into the kitchen and make Billy a cup of tea or a drink and put Billy on the phone to me and I'll speak to him.

So on comes Billy and I said, Billy, if you lay a hand on my daughter while I'm in America, you will have me to answer to when I get back.

And then my wife came on the phone and she said, Billy's crying.

But I guess that's what 7-year-olds do.

Okay, what am I going to do today? I'd like to, first of all, show you some PowerPoint slides, there are about seven or eight slides. Then I'm going to show you a couple of Web sites. Then I'm going to show you a simulation that we did involving 50 people that I think you might enjoy. Hopefully we're going to round off with a three- or four-minute DVD, that is a technical feat in its own right, to pull

all that stuff off, so I'm relying on my man Tim up there so we might have to trade glances and nods as we go along, so if anything goes wrong just bear with me.

What I'm going to be talking to you about is something which I have been, in the last six months, traveling the world around and speaking to the leaders, really, in worldwide bloodstock. I've been out in Australia, I've been in Hong Kong, I've been to Dubai about seven or eight times, I've been out to Catau four or five times, and this is the first time that I will be talking about this subject in America. So thank you very much for inviting me and letting me speak to you about it and I hope you all find it interesting.

What it is that we are all working on is the launch of the world's first International Bloodstock Exchange. So a stock exchange for racehorses. To some of you that may sound absolutely extraordinary, I mean, how on earth will that work? Well, I want to try and explain to you how I think it will work. It really follows on from what Jeff was saying, that if you understand and buy the concepts of what I'm about to talk about, you will completely buy into everything that Jeff had said when he was speaking.

It's really important that we understand that the bloodstock industry is simply not immune in any way whatsoever from the current economic climate. And I have been really amazed at the complacency that I've seen in the thoroughbred industry around the world in the last three to four months in particular. Now remember, in the last three to four months the credit crunch has really actually bitten in. So I'm not talking about six or seven months ago when people were getting a little bit worried, I'm talking about the last three or four months when it was really starting to be a struggle. And the complacency that I think I've seen is that people still feel that this is a sport that is largely patronized by wealthy individuals, and if I had a dollar for every time in the last few months someone has said to me, This will be the last industry to really feel the effects of the credit crunch.

And I think, well, how misguided is that? What I'm seeing from all the racing authorities around the world is that ownership numbers are in rapid decline. The only thing that is actually saving ownership numbers at the moment is that there is a small increase in the number of syndicate ownerships. So that tells me that that will be very consistent in my book, with what is happening in the economic climate. That tells me that owners, individual owners or perhaps two people who may have owned a horse together in the past, they are having to think seriously about making their ownership circle be much bigger than it has ever been. This is giving rise, I think, to the spreading of cost, whether it's the underlying cost of purchasing the horse in the first place or whether or not it is the cost of upkeep and all the expenses associated with racing that horse.

I think the guys at West Point have just filled an absolutely fantastic hole, but in a way they were great visionaries because I think they saw the way the industry was moving.

So what I want to talk to you about, I believe, is the next step, after what the guys at West Point have been doing, which is to make fractional ownership of racing assets achievable and affordable and fun. This principle can work in so many different ways, I don't want you thinking as I'm talking just merely about racehorses, I want you to also be thinking about the stallion market. Across the world, what I've seen is that, when a racehorse achieves the standard two Grade One victories that would make him have a realistic chance of standing at stud, if the owner carries on racing that horse, I think that there are a lot of owners who would love an opportunity to actually liquidate that asset, prior to that horse coming to the end of his natural racing career. So I want you to hold that thought in mind as I'm going through my slides.

So really what this is all about is fractional ownership, and it's about bringing liquidity to the bloodstock marketplace where I believe we are largely in an illiquid market. You only need to look at the recent sales around the world to realize that bloodstock assets, unless you've had some of the excellent sales that Jeff referred to that West Point had, and I'm sure Jeff would be candid enough to say that they probably also had some sales that have not gone quite as they would have liked, I know that I have. But what I can say is that, if you look at the sales that have happened around the globe, very few of those sales would demonstrate to me that the bloodstock market at the moment is anything other than illiquid. So unless you have a racehorse that is absolutely performing at top-level on the track, or you're selling a racehorse that is performing to a suitable level, where he still is perceived to have potential, I think that you're going to find this market is most illiquid and I believe it will be this way for at least the next two to three years.

So let me just take you through my slides and let's see how we get on with this technology. So, I'm going to refer to Blood-Ex.com in the first few minutes of my speech and then I'm going to be referring to another site which will be the precursor to Blood-Ex. Blood-ex is a short version of Bloodstock Exchange. Now Blood-Ex will be the world's international stock exchange for racehorses and stallions. The reason I'm traveling around the world is to make sure that everybody buys into that concept. This isn't a venture or initiative where we can suddenly have four or five stock exchanges popping up for racehorses, so the company that I work for, we will only launch this if we believe we have the complete and unparalleled support for an entire industry and all geographies. If we suspect that we don't have that, then we will not be launching this. At the moment I would say that we have that level of support and that's why the conversations in the States over the next three months or so are going to be very important to us. It's already had a successful proof of concept in 2008 when we ran a live user simulation across the Royal Ascot meeting in Great Britain. It's one of two simulation events that we ran. The second simulation event that we ran, which had nothing to do with Royal Ascot, was that in March of last year we launched an online site for the sale of racehorses which is called Re-Offer.com, and we wanted to test the concept that people said, You cannot sell a racehorse online.

That site turned over \$2 million of racehorses in 30 days of trading. I'll give you the statistics associated with the live user simulation for Blood-Ex in the

summer of this year. We had 10,000 people taking part in the pre-launch trial period which ran over the five days of racing, and as you know, the Royal Ascot meeting in England is very much an international meeting, and in fact, of all the horse race meetings in the UK, it has the largest global television distribution. So it is watched by a truly international audience. So we had, in the first couple of hours, 10,000 people participating in that trial, all of whom registered from a standing start with no pre-marketing. We only had the benefit of one piece of newspaper coverage, which I'll share with you in a minute. Over the five days, we had 100,000 people downloading the key pages on the site. And going down to the bottom point there, combined with Re-Offer, Blood-Ex in our view has given us the impetus to kind of carry on with the development of the stock exchange. And over those five days, we can see from the Web traffic that we have people visiting from 46 countries around the world and those countries covered every major racing market that you could think of. Blood-Ex really is groundbreaking in all respects. It brings liquidity, as I said, to the market, and I'm going to demonstrate that in a few minutes. It creates fractional ownership, as I mentioned. It allows investors and buyers to trade in fractional ownership of horses, based on high turnover trading. And it takes place on a fully transparent stock exchange.

I would just ask you to draw some parallels to some other industries. One of the things that is not so good about bloodstock, might be good about bloodstock if you have a certain disposition, is that actually it's a very un-transparent marketplace on occasions. And I believe that the lack of transparency, on occasions, hinders our ability to make ourselves attractive to new owners, people who look for transparency in the way in which they buy and sell their assets. So this is not an easy market where you can just turn up at Keeneland or turn up at Tattersalls or turn up at any of the big sales companies and just walk in there and completely understand how it works, despite the excellent efforts of those organizations. This is a market where, unless you've done your tuition in it, it can be quite difficult to understand. Therefore, there are some barriers to entry for just the man in the street suddenly becoming part of the bloodstock world. It's not that easy to join in. The platform is live and real-time trading, it will be 365 days a year on a 24/7 basis. We really believe that it's going to appeal to a new audience of owners. It's really, really important, I cannot emphasize this enough for you. Everybody in this room is going to be, I'm sure, showing the same passion that I do around the lead of this sport, to bring into play new owners, people who simply have not considered being owners of racehorses previously. I mean, do you agree with that sentiment? It is imperative that we just bring into the sport — if we don't bring into the sport new owners, a minority sport, which is what this sport is, is going to become so marginalized that it will cease to attract the broadcasting companies and so on and so forth, and we will become even more marginalized around the world than we are currently. So it is imperative that we come up with a 21<sup>st</sup> century, new and innovative way of bringing owners into this marketplace and we believe that this is one of the ways, not necessarily the way, but one of the ways in which that can be facilitated.

We also believe that this sport will appeal to the financial community and, as part of that we have been talking to the financial community. And it may surprise



you to know that, in both New York and in London, there are two financial services institutions who actually are very close to announcing the launch of their first bloodstock hedge funds. You might think that is ridiculous, but they have had no difficulty whatsoever raising between two and \$500 million. What they have said to us is that they could not contemplate bringing that money into the industry unless a platform like the one I'm going to show you existed. Because the essence of financial services regulation would really mean that they would have to be transacting in an incredibly transparent way, and these guys simply can't take two to five hundred million dollars and turn up at a sales ring and start transacting that way, they have to clearly show an audit trail around their transaction. So this platform has been very widely received by the financial services community around the world that we've spoken to.

We believe also that it will access lucrative markets that are not really accessible to the gaming organizations. One of the things that you may or may not know, I mean, you're certainly aware of it here in America, but actually there are probably three parts of the world where, if you are a gaming organization or a bookmaking organization, call it whatever you wish, it's actually impossible, illegal, prohibitive, depending on which location I'm referring to it'll be one of those reasons as to why you can't do business there. Obviously, this is one of those markets here in the United States. The Middle East would be another market, in the Middle East, gambling, on religious grounds, is really scorned upon. And parts of Asia, for different reasons, also are not accessible to the gambling organizations. Yet in all of our conversations with regulators, it is clear that they do not view this proposition as a gambling proposition, they view it as an investment proposition which is akin to a stock market. So I think we've been very successful in early discussions with the regulators in this regard, but there's a lot more discussion to take place. For example, it is not quite clear yet who will regulate this exchange. It will be launched in one location and the horses will be traded globally, so there is a discussion going on at the moment as to whether or not we will have a single regulator who will be regulating the activities globally. I'll keep you posted on that in the next couple of months, but we've had a lot of early-stage discussions around the regulation of this exchange.

I just want to kind of explain to you how it will work. First of all, the International Bloodstock Exchange will allow an owner of a racehorse to list up to 49.9 percent of that horse. The reason we won't allow anyone to list more than 49.9 percent of the horse is that we don't want to have any involvement in the management of that horse. So it's very important that a majority shareholder continues to be a majority shareholder in deciding where the horse runs, who trains it and so on and so forth. There would be disorganized mayhem if we had 5,000 owners deciding whether a horse runs there or a horse runs there or on Saturday or on Sunday, and I wouldn't want to think what the pre-parade ring might look like if the owners of Blood-Ex all turned up on the same day. We'd need a whole new complex, I would think. Buyers are buying beneficial shares, which is a form of legally recognized transaction and it will be recorded on our exchange. So at all times, buyers and sellers have got a complete statement of the transactions they've completed and it's a complete electronic platform.

We won't be issuing share certificates, that's not necessary, but all the transactions are recorded in our books. Each horse on the exchange, and I'm going to show you a demonstration of the exchange in a minute so don't worry too much for a second, but effectively 100 percent of the horse is broken down into 15,000 shares. You'll see why that's important in a minute. The emphasis of that is around affordability, so again, I'll show that to you in a second.

In essence, no more than, just under 7,500 shares could be listed at any time. Buyers are purchasing a class of share on the bloodstock exchange which gives them no participation in the purse, but equally it gives them a class of share that gives them no liability for any contribution to the upkeep or the management of the horse. So, if you buy or sell a share on the International Bloodstock Exchange, you will be doing so purely for the capital gain that you expect that to make and you will suffer the loss if it makes a loss. You wouldn't be doing it for somebody who'll send you a small check as part of the purse, and, you know, as you'll be getting a small request once a month for 100 dollars contribution to the upkeep of the horse.

Very important that once an owner decides that he or she wants to list a horse on the exchange they cannot sell that horse privately unless we have agreed to that sale. What they have to do is put that horse for a public ring, and we are agreeing with the various sales companies around the world that the proportion of the sale proceeds that is represented by the proportion of owners of Blood-Ex who own that horse, so let's say that 25 percent of the shares in the horse were listed, 25 percent of the sale proceeds will be sent directly to us, from the sales house, bypassing the owner, and we will distribute those sales proceeds to those who are holding shares at the time the sale takes place. Obviously we will suspend trading in the horse just before the horse goes through the ring. The reason we say that a private sale will be subject to our approval is not because we will want to withhold that approval necessarily, but obviously we will want to make sure there is no opportunity for an owner to sell a horse less than what we regard as the market value. However, if Sheikh Mohammed or anybody else comes along to buy a horse privately then there would be no reason for us to withhold that permission for the sale to go through because clearly the buyer would be fully validated and very fully verified and we would have no reason to hold back our approval of that.

So there's going to be some fine lines there, but that's why we're holding the right of no sale and we will force the horse through the sales ring if it's necessary to do so. And I won't cover the last point again because I just touched on it. As I said, Blood-Ex is very important to the industry. We're not immune from the credit crunch, attendances are down, bloodstock sales are dramatically down, buy-backs are up, RNAs are up, the cost of owning a racehorse, it's almost becoming prohibitive. I thought long and hard about putting that word into the slide but it really is, and unless we make ownership more affordable, we do risk losing some of our existing owners forever. I don't want to be alarmist but I've got real evidence of people saying, I'm out of bloodstock.

And I'm not sure that they are out for a couple of years to see if things get better, my sense is, they're out. So not only do we have to stop them from going out, at the same time we have to attract some new people to come in. This is a big deal, it's going to cost us a lot of money to pull this off. I don't know if we're going to pull it off, but sure as hell we're going to have a good go of it. And I hope we do pull it off because I think it's really important for the industry.

As I said, liquidity has really dried up. I think from the third bullet point from the bottom there, we need to attract these new owners in a way that's 21<sup>st</sup> century, we've got to be innovative in the way in which we're doing it. And this is a very innovative concept and it does create a lot of liquidity for existing owners.

Let me tell you why that liquidity is so important. I believe, passionately, that if we allow an owner an opportunity to take part of the value of his or her racehorse, early, and early means ahead of selling that horse in a ring at the end of its racing career, so if you have a million dollar racehorse and you're able to liquidate \$490,000 worth of him, I believe that's a very important \$490,000 that can come back into the industry and potentially finance your buying of yearlings or weanlings. Of course, you could take your \$490,000 and do something else with it, take it out of the industry altogether, which wouldn't be so good for us, but on the basis that we're at least giving you that option, I think that's a powerful thing. Lastly, we've got to lower the cost of entry for owners to come into this industry. This is a frightening barrier cost if you want to come in here. It's going to be 50, \$100,000 straight up to buy a horse, and wait till you start to get those training bills and transportation bills. This is a very expensive industry. So we better find a way to make it affordable. The site has been developed on a really outstanding technical platform, everything as you would expect. We've had rigorous testing of the site, obviously it lasted through the live user simulation that we did over Royal Ascot, and I use that term lasted in a very candid way because when you launch something new what you actually do is you come under attack from around the world. I didn't realize this myself, but there's just an army of people out there who just, when they see something like this new, they just stay up all night trying to find some way of hacking into it and crashing it and abusing it and stealing money and transferring stuff from people's accounts, and we had just the most incredible experience of my working life on the day that we launched it for Royal Ascot where one of the technology guys called me at home on the Sunday night and said, Val, I think we have a problem. We've got one particular group of guys that look like they're going to try and hack into the system.

And we were just watching for like a day, a day and a half every conceivable effort that they made to get into our system. And I thought, gosh, if they get in, it's all over. The defining moment was the guys sent us an e-mail, and with great respect to our friends here from Asia, but the guy was based out in Tokyo and he sent an e-mail and he just said, Congratulations, I've given it my best shot.

So we were really comforted by that, but I can tell you for a day and a half we were really worried but we felt like we came through that. Blood-Ex is backed by the company that I work for, so GCG is a public company in the United Kingdom,

and as Jeff alluded to, we're completely focused on working with the Fortune 500 and the FTSE 250, it's the only organizations that we work with and we are partially owned by a number of FTSE 100 and Fortune 500 CEOs and chairmen, so hopefully the exchange is in good hands.

Just want to share with you some key financials. I don't know if these are true, this could be complete, you know, what comes out of the backend of a horse. The people that we are talking to around the world, this is kind of a rolled up summary of what they think this could be worth to the industry, and what we want to do is make sure that a large component of this gets back into the industry. I found it just almost heartbreaking listening to Ron and Doug talking about how we can barely afford to fund a program of education. It doesn't matter what country you go in around the world you just see this constant story that down at the bottom end of the food chain, if you'd like, where we're trying to bring new people into the industry. I'll tell you, in other areas — animal welfare, I'll tell you a story in a second that'll really make you be concerned — but it's really important that we put some money down into the grassroots because if we don't, again, I think we're going to have a serious problem on our hands.

I'll give you — this, for me, was astounding, I don't want to name the sales company but I heard a story a couple weeks ago about a guy who turned up to sell a horse, he didn't get a bid for that horse, and he actually left the horse at the sales company. And he wasn't trying to be smart or to be clever or whatever and he just rang up the sales company and he said, I'm really sorry to do that and I wasn't trying to be clever, but I can't really afford to pay you the entry fee for the sale, so take the horse and do what you think you can do with it, you know, if you make money out of it, keep it.

Now, that is a bit of a concern. There's a whole series of issues there, not only economic issues, but there's a whole bunch of horse welfare issues there as well. So we'd better raise some money in this industry in a clever, innovative way otherwise I think the grassroots are going to suffer a little bit.

So let me tell you what I want to just quickly show you now which is, in order to, as a precursor to launching Blood-Ex in 2009, we are going to be launching, at the start of the U.S. and European flat racing season, a micro site as the precursor to Blood-Ex, which is going to be called fanthorse.com, so it's a theme on the word fantasy, and I'll give you the URL of that in a few minutes. The concept behind launching fanthorse.com will be to give people around the world an opportunity to try the concept of a stock exchange for horses, but without using their own money. So we're hopefully smart enough to know that this is a new concept and if you go out with a new concept like this without giving people an opportunity to try it, there are, obviously, a number of risks that you would face doing that. So we're going to run this fanthorse site for a few months and in fact we may run it forever and just keep the two brands separate.

I'm going to show you that site in a second.

So the fanthorsey site will be launched probably around February, March time next year, but the site is available for you to go to today while you're here at the Symposium, we've opened up the site until the close on Thursday evening so you can go and register and you can go and buy and sell horses, you'll be given a notional \$15,000 to play with. Obviously, what you won't see on the site is none of the horses are particularly running right now because it's the close season, but nevertheless you can have a practice at buying and selling shares and forming syndicates, etcetera.

Now, I don't want any of you being smart and coming up to me and saying, Val, I'd like my \$15,000 in cash now, if that's okay.

Because I've seen that trick tried before, so you'll find all sorts of terms and conditions which will make it clear that you can't do that, but enter into the spirit of it and go onto the site and have a look and see how easy it is to operate.

So we're going to give people a notional \$15,000 to play with. Traders can compete against each other for status and prizes in this pre-Blood-Ex launch. It will allow users to form syndicates in different ways. You can form a syndicate of 100 of your friends if you want, you can form a syndicate with just four of our friends, and you'll be in different leagues competing against each other. It will allow us to build up incredibly valuable data and a great opportunity for us to watch the behavior of traders, if you like, using the fantasy site before the main site.

So we got a lot of learnings out of the live user simulation we did in the summer, but we need to do another one of those and that's why we're launching this site. Subscribers will be rewarded, those who participate in the fantasy site will be given an unbelievable offer when we launch the main Blood-Ex site and we're thinking about, for example, that they will have no commission to pay for at least the first 12 months on Blood-Ex. When it launches itself, the way Blood-Ex will work is that buyers are charged no commission, but sellers will be charged five percent commission. So those who participate in the pre-trial fantasy version could enjoy a year's trading on the main exchange with no commission. So that's a reward from us so that we can watch and observe their behavior in that pre-launch phase.

Lastly, down at the bottom there is a very important point, there is a really material difference between Blood-Ex and fanthorsey.com. The material difference is that, on Blood-Ex, owners will physically and actually have to list their horses for sale, it's a bit like FedEx listing their shares for sale. But on the fanthorsey site where there is no reliance or dependency on an owner to do anything, we're effectively going to be trading, notional trading on any horse which is running anywhere around the world. You understand that distinction, yeah?

So the only thing is really to give people an opportunity to try the concepts of operating and trading in a stock exchange environment, but without any risk and so on and so forth. This has been really widely endorsed and supported and people thought it was a really good approach. It's important that we do this because we

don't want to go out there and launch a stock exchange for horses and nobody knows how the thing works, it's just so complicated, blah, blah, blah. So the idea behind it was to try this first.

I'm going to move to my laptop. I have no idea what's going to happen here, so bear with me.

I'll first of all show you the Blood-Ex site. This is the home page for Blood-Ex. What's really important, I think, if I just go to the trading zone, because you guys can go onto the fanthorse site and you'll be able to just do all this yourself later on. I want to first of all show you the flags up at the top there. The site is defaulted to U.S. dollars but actually you can transact in any currency in the world, and you can view your portfolio in any currency in the world. We ran a live test, if you like, out in the Middle East and we just had the most amazing feedback, it was so rewarding to have seen it, because in those parts of the world, racing enthusiasts, their passion is even greater than ours, to be honest. But when we showed them this, and I'm going to show you the exact same thing that I showed them three or four weeks ago, they just absolutely said, Don't bring this out because it will be addictive. It would be better if you don't bring it out, we would spend all day watching this.

In essence you can see the game plan here, and I'm not going to demo it on here because I'll show it to you on the player I'm going to show you in a minute. But basically you can just click on here and buy and sell horses. Here is the projected value of a given horse, up here is the European horses, the American horses. I'll switch to the American horses, you might recognize some there.

Now listen, I have no idea what Curlin's worth but part of the fun is really to work it out. There was a great moment actually in the live user simulation that we did for Royal Ascot where I was with the owner of a horse that was running at Ascot and his bloodstock agent was sitting here and the owner said, Val, what's my horse trading for in your exchange?

And I said, Well, he's on there for 750,000 pounds.

And he said, That's ridiculous, the thing's insured for 1.5 million.

So I turned to the bloodstock agent and I said, Anthony, be honest, what do you value the horse at?

And he said, Well I'd probably value him around about a million.

And the owner's going crazy, he's saying, Oh, you guys are wrong, you know,.

But I said to the owner, We don't need to worry about this, we don't need to have this conversation, just put the horse up on the exchange and you'll know what it's worth shortly.

And that's the reality that's going to come to the market. On the main Blood-Ex exchange, when we launch it, you won't have to worry about what your horse is worth. If you list it, the market's going to tell you exactly what its worth. So you can fantasize as much as you want that you've got a one and a half million dollar racehorse, or you can take a deep breath and have some reality and realize that you've got a \$750,000 racehorse.

But that's what the market's going to do. You can do all sorts of things. You can click on things, you can buy stuff. The great thing about the site also is that if an owner hasn't listed his horse for sale, you can, as a buyer, you can flush him out. Let's say, for example, let's pick the third horse down, I'm less familiar with these horses than you probably, but let's say that the owner of Midnight Lute decided that, I'm not selling my horse no matter what.

As buyers what we can do is we can say, Well, I'm going to offer an amount of money to buy shares in your horse.

If the owner is so disposed, eventually you're going to flush him out. He'll say, Well crikey, if that gives me a projected value of \$11.7 million and I thought the horse was worth \$8 million, then why the hell wouldn't I want to list part of the horse and start to liquidate that and realize that value.

So it is not the case we believe the owners actually need to list their horses. We believe that buyers can flush out the owners and make them list their horses. It's a simple buy and sell dynamic, and if you have an item that I want to buy from you and you say to me, Val, it's not for sale.

My only mechanism that is left to me is to increase the value of my offer to you and eventually I might get you to sell, particularly if I offer you a price that is disproportionate to what you think the item is worth.

I'll just close this out for a minute. So, very quickly, the fantasy site is a very similar concept but in essence, where the cursor is here you will have syndicates in play where people will be participating against each other. The trouble with doing anything on the Internet is that it will be a little bit slow, I think.

**MR. LIFSON:** Now is when I sing Frank Sinatra?

**MR. FEERICK:** I think if you could sing My Way by Frank Sinatra, that would really help us.

**MR. LIFSON:** Very well, fair enough.

**MR. FEERICK:** It could be firing up while we do something else. Let me show you how it would work in real life. I'm going to show you a race. You ready for a bit of fun?

Okay. Now, I had to look at you guys this morning and I had to try to figure out how smart you were. So I had to try and find a race that nobody in this room would be able to remember. So I've picked a race from last year, and if one of you puts your hand up and says, I know the winner of that race, then I'm going to have to take you out into the carpark and we're going to have a little fight afterwards. So if you think you know the result of this race, just keep it to yourself and I'll reveal all that in the next few seconds.

Now, they've just come out of the gates. Can you read the name of those horses there? Shall I tell you a little bit about them all, just so you can pick the horse that you want to follow in this race? Yeah? Let's take the top horse, so you guys probably know that this horse went on to be a stallion, but Sunriver, at the time this race took place, had, well, first of all we should tell you that he's from the great family of Ashado, so that whole sort of Goulash family. Coming into this race, which was his sixth or seventh start, he had placed third in two Group Ones and he was placed in a couple of Group Two races. So this, in our mind, gives him a value of about \$420,000. You don't have to agree with the value, you just have to accept that, for the moment, that's what he started off at on our valuations. So Trippi's Storm, the one down at the bottom, he came into this race, he had never ever run before and he's lining up in a Group One, Grade One race. Silver Whistle had been placed a couple of times in Group Ones and had been placed in Group Twos and Threes and he had won a Group Three race. Shackis had been placed at Group Two and placed at Group One, we gave that horse a value of \$350,000. Flashy Advice came into this particular race, Group Two, Grade Two, Grade Three-placed. Interpatation came into this race, he'd already won a Grade Three and was Grade Two-placed. Dreadnaught came into this race having won a Group Two, but it looked to me like he'd run about 150 times by the time he lined up at this race, so he'd had quite an extensive career. Lastly, Barastraight had won a Group Three coming into this race and been placed Grade Two twice.

Okay, what I'm going to show you is we had 50 people participate in a trial, a simulation about three weeks ago and we showed them this film for the first time, we gave them all the information that I just shared with you but in a much more substantive form and we asked them to trade in those shares before we ran this race. So the valuations that you see under projected market value, they are the valuations of those 50 people who are in the bloodstock industry, they came up with these valuations before the race rolled. What I want you to do while I'm playing the film here is just watch the projected market values relative to the performance of the horses on the track. And I'm going to stop this film at various places so that you can get the gist of how the bloodstock exchange will work. Sound like a fair deal? Roll that tape.

**(A videotape was played)**

Okay, so based on that what we think is happening is that only one horse, Flashy Advice, is showing up for these 50 individuals as performing better than they expected him to, all the others have come off in terms of their projected market values.



Now, I guess that's just, amongst the 50 traders that took part in this simulation, they're just starting to make a judgment about who's going to win this race and who's not going to win this race. This is a Grade One race that we're watching and they're obviously taking a view on what's likely to happen as the race unfolds. Let's see if they're right or wrong.

Okay, so here you can see an opinion is starting to form. The three horses in green are showing the upward tick, can you see, under projected market value? The indication from the 50 traders that participated here is that the winner is going to come from one of those three horses and the other five horses, their valuations have actually gone down. Now, the valuations are driven by the selling and buying on the left-hand side as you look at the screen. You can see the last trade, the average price, and so on and so forth. Let's see again if they're right during the course of the race.

Okay, so again, now you're seeing a division of opinion amongst the 50 traders that participated in this trial, there are now potentially five high-performing horses here, which one of them's going to win is unclear because the projected market value of any of the horses hasn't shot up yet to be commensurate with the winner of a Grade One race. I would expect a Grade One winner not to be trading at anything less than maybe a million dollars. Here we have indecision amongst the traders, they don't know who is trading against them, they just have bought and sold shares in these horses while this simulation was going on. But this trading pattern tells me that they couldn't actually decide who was going to win the race at this point.

So I guess here, you've got four or five horses bunching up for the finish, but several of the marked leaders or the main protagonists, their values have gone back down in this simulation. So it was just fantastic to see the behavior that was going on, but let's see what happens now as the race comes to a close.

Well, the traders did exactly what we expected, only I believe they overinflated the price of the horse, but it actually, and about 20 minutes after we finished the simulation, it settled down to about \$1.3 million. But you see what happened immediately after the race, they just bid this horse up to \$1.8 million in value. So the view is taken, you win a first Grade One and you'll go on and win a second. In fact, he did exactly that, he won two Grade Twos. So that's how it all works. That's the concept.

Was that interesting for you to see? Okay, so the timings for us, we're to be launching the fanthorse site in February, March time of next year. You'll see it advertised and written up about no doubt, and so on and so forth. But for the next three or four days while you're here, please go to the site and take a look at it. Then the main Blood-Ex site, we're hoping to launch in the summer of 2009. It's subject to lots of things, but right now we're on track to do that. We've already had a lot of exposure around Europe and down in Australia, so we're really excited about that. That's our kind of journey so far.

This is just some of the feedback that we've had from people around the world. Just spontaneously has been sent into us. We like to get their feedback and listen.

I've got my business cards up here, come up and get a card if you want to stay in touch with me and offer to assist in any way, I'm going to tell you how you might be able to do that in a minute. We've been building up the media campaign around Blood-Ex, you may have seen various adverts that we've run. This is one that was lifted out of Blood-Horse.

Lastly, this is really a summary of why we're here today. The reason why I wanted to come over and make the trip from London is, as I say, we've been talking to people around the world for the last three or four months and we've also started to take onboard some very important conversations over here in North America. So really, in essence, if anybody here today wants to talk to me, e-mail me, reach out to us, if you think you've got a valuable contribution and you want to work with us in collective collaboration to pull off this audacious, ridiculous proposition, then feel free to contact us and tell us what you can bring to the party. We've already assembled a worldwide group of co-investors for this, but we'd be delighted to speak to anybody else who might want to join that group. And if we're right and if the numbers that I showed you are right then the investor rate of returns will be fantastic. But more importantly, we're really interested in finding some sponsors for, particularly for fanthorsey, and we would love nothing more than to have fanthorsey.com in its first year have a \$500 million win pool for those who outperformed the market by putting together a portfolio of racehorses that performed sensationally through the 2009 forthcoming season, so we're talking to some various sponsors but we'd love to see some sponsors over here in America.

So I would just say to you, look, I've flown all the way over here to come and speak to you, I would just plead to you to say, who should Val be talking to? And if you think you've got somebody in mind then just reach out to us. We don't claim to know everybody. Just reach out to us, shoot me an e-mail and say, Hey, Val, if I was you I would be speaking to this person.

Is that okay? This is your territory, it's not my territory, so work for me a little bit in uncharted waters. That's my e-mail address on the right. There's the URLs of the two Web sites.

I just want to finish off with one thing. If this works, I'll be delighted because Tim and I have had a few little challenges with this. But I thought I'd maybe finish with a little bit of a movie for you. Jeff, could you do My Way for me by Frank Sinatra again?

**MR. LIFSON:** I sang Fly Me to the Moon at my wedding, I'm a little bit better with that. Is that all right?

**MR. FEERICK:** That's fine with me, go for it.

**MR. LIFSON:** Oh shoot, my wife's going to kill me it was actually The Way You Look Tonight. Wow, okay. That was another wedding I sang Fly Me to the Moon. That was before I moved to Louisville, Kentucky, permanently and a sinus condition and a lot of phlegm in the throat that's prevented me from singing on a regular basis. It is the Ohio River Valley. Anybody who's been there, see your allergist.

**(A videotape was played)**

**MR. FEERICK:** Okay, we'll end it there. This was a little challenge we had earlier on. What, of course, I didn't realize is that it's the compatibility of DVDs in our country versus what they are here. It doesn't quite synch up, so thank you, Tim, for all your help with that.

**MR. LIFSON:** We've got about 15 minutes left in this session for questions for Val or questions for me. I imagine most of you will have questions for Val. I wanted to kick things off, Val, by asking you specifically about the approval on private sales. I think you said something to the effect, subject to approval by us, so how's that going to work from a regulatory or from a logistics standpoint?

**MR. FEERICK:** Yeah, that's going to work from a logistics standpoint that the owner would share with us in strict confidence, and she or he have agreed to do this in the terms and conditions that they would have signed up for on the site. They will share with us, in strict confidence, the offer that they've had for the horse, the source of that offer and so on and so forth and we will take a view on the legitimacy of the offer. We will consult with a panel of bloodstock agents. They don't need to know where the offer came from, only we need to know that, but we need to make sure that there is a general consensus of opinion that it is a fair market value for that horse. Then we will approve the sale of that horse.

But the proceeds, again, similar sort of situation to the sales of houses, the buyer, who is purchasing the rights to that horse, will send the proportion of the sale proceeds directly to Blood-Ex which represents the value of the horse owned by shareholders on the exchange. What we're eliminating, not that the owner would, I'm sure, but that one party receives the funds on behalf of our shareholders and our shareholders never actually receive those funds. So we are absolutely categoric that the sale proceeds, our portion of that has to come directly to us for distribution to whoever is holding the shares at that moment in time. Just because you bought shares doesn't mean you own them at that moment in time, you may have sold them. But at some point, if a horse is physically sold, there will be people holding his shares.

**MR. LIFSON:** And there's maybe a board of directors or a board that would be transparent?

**MR. FEERICK:** Yeah. Absolutely, total transparency.

**A VOICE:** Hi, Val, what if a 3-year-old colt is a top stallion prospect and you may not be able to get his true value in the sales ring. Say he's half owned by WinStar, WinStar put 49 percent on your exchange, what would happen to the value of that horse or what would determine what, essentially, the stallion shares are worth?

**MR. FEERICK:** What we've seen in Europe that's been really fascinating is actually stallion owners have come to us or owners of horses which are potential stallions, the stallion masters, if you like, or the studs, have been going to those owners earlier than you may have seen in the past. There's a horse been running in Europe called King's Gate Native, he won two Group One races in England and the deal for him to go to stud at Cheveley Park in England was done at the end of the horse's 2-year-old career even though he ran as a 3-year-old, so increasingly the deals are being done a lot earlier where a horse shows up looking like he's going to be a stallion prospect. But in the example that you gave there, again, for us it's a private transaction. So if the owner wants to accept an offer from a stud, whether it's WinStar or anyone else, provided we can satisfy ourselves that it is a fair market value and a legitimate offer, we wouldn't have any reason to stop that but we would expect to get the portion of the sale proceeds directly from WinStar.

The great thing about the auction markets, the traditional bloodstock auction houses is that's actually one of the reasons why they exist. If there's a dispute, the horse has to go through a public ring and that is designed to bring an end to that dispute. But we would hope that all the parties would say that's a fair deal. The only thing that would interest us is the shareholders on Blood-Ex getting their fair share.

**A VOICE:** When you say a fair market value, is that the bloodstock exchange fair market value? They'd have to be offering more than it's worth on the exchange for you to accept it?

**MR. FEERICK:** Yeah, I think we've got to wait to see how it works. But they've got to offer at least what the horse is trading for on the exchange and if they offer a premium to whatever the horse is trading for in the exchange then that is greater than the fair market value and that would be a fair transaction to conclude privately. You know, the great thing about something innovative and new like this is we are going to have to see how it works. Clearly, if someone came along and offered anything that was less than the market value on the exchange, then that would be a transaction we'd have a hard time approving.

**A VOICE:** Could there be a situation where International Bloodstock Exchange has a greater pool of liquidity, have greater price discovery, and then you take that horse to the auction where you could say it might have less liquidity and there could be larger discrepancies between the price discovery on the exchange versus the price discovery on the auction?

**MR. FEERICK:** Yeah, it absolutely could happen, but that's just market dynamics and I don't think that's something that we should be scared of or be afraid of. If a horse walks into the ring and he doesn't make what he's been making on the

exchange, that's life. That's what he's worth at that moment in time. If he's trading for a great value on the exchange and somebody wants to buy him, they're going to have to pay at least what he's trading for in the exchange to take him out, or they're going to have to make a premium offer. It is going to be swings and roundabouts, but I think that the transparency of the transaction is going to be a lot better than someone thinking their horse is worth \$1.8 million, they turn up at the sales ring and they get \$700,000 for him.

You know, the other thing that's great about this proposition is it brings prominence and awareness to the value of a horse throughout his racing career. I was really fascinated to see, again, at the big race meeting down in Australia where immediately after the race had finished, there was a race for mares, fillies and mares, that the racetrack commentator said that that will have enhanced that filly's value. And I thought, God, you're talking exactly my language because in essence, if you could constantly see that filly's value, every single day, every single week, before it races, during its races, after its race, then I think it's going to make it a lot more clear as to what that filly actually is worth rather than a single moment in time when you might not have the right buyers there, whatever. You're taking a lot of the hit and miss out and you're saying that that filly has consistently been trading on Blood-Ex for the last 90 days at \$1.9 million so why on earth we would want to sell her here at \$1.2 million. The owner still doesn't have to sell, just because he's turned up at Keeneland or wherever to sell the horse, he doesn't have to take the \$1.2 million, he can say, I'm going to keep running.

**MR. JEFF CANNIZZO:** My name is Jeff Cannizzo, I'm from the New York Thoroughbred Breeders. Couple questions. First and foremost, it's a very interesting concept with the marketplace that we have right now. Thank you for your publicity for Sunriver, our new stallion. Anyway, you mentioned the trade commission briefly, I'm curious to what regulations if any you will have there and what that relationship will be. The second question is similar to that, with the sales companies and auction houses, what relationship will exist and how you guys will both work together?

**MR. FEERICK:** Let me take the second one first, that's the slightly easier one. There is an established process whereby an owner can give an irrevocable undertaking for sale proceeds to be sent to a third party, and we'll be following that protocol. So the owner doesn't have to do anything except agree to X percent of the sale proceeds will be sent directly to us by the sale house. So that's a mechanism that exists and we'll just be following that protocol.

On the question of regulation, it is an utterly fascinating subject and I can't emphasize to you enough how the conversations have been amazing the last six months. I don't want to bore you with all the technical detail, but let me just say that in the last six months, we've had conversations with regulators around the world which make it clear that they don't really know where we fit in. We are definitely an unusual animal. There was a similar thing happened, and are you guys familiar with the betting exchanges, the gambling exchanges across Europe that sort of re-revolutionized gaming in Europe? There's a very famous company

that's been in operation for the last two years that's done extremely well, a company called Betfair. And when Betfair first came to the market, and I don't want to draw any parallels to them, they're a gaming play and we're an investment play, but actually same thing really. Nobody understood what they're all about, how they fit in, who should be regulating them. And actually, you know, they're not regulated. They're not regulated in any shape or form. They're not regulated by the Financial Services Authority in Great Britain and they're not regulated by the racetracks and administrators, they have a relationship with all of those entities. But it's been really clear as we've been talking to the regulators that at one point in the UK they suggested to us that we might be what's called a collective investment vehicle, and we said, Whoa, hang on a minute. If you call us one of those then every syndicate that's operating anywhere in Europe, including if Jeff and the guys launch West Point in Europe, would also have to be classed as a collective investment vehicle, and if you are classed as a collective investment you have so many onerous but important regulator requirements around how you market yourself and so on and so forth.

So at the risk of having every syndicate suddenly have to be a collective investment vehicle, they quickly kind of backed off of that argument. So it's clear to me that the conversation is not yet finished. There are some people who say that we don't have to be regulated. We are saying we want to be regulated because it will confer and bring to the exchange a level of importance. I don't know how to phrase it, respectability, whatever you want to call it. So we are seeking regulation for the exchange. We're not saying, Great, can we avoid it?

But it's important that we have the right regulation. And I'd say the conversation is not finished yet. It's got at least another three months to roll on. But we don't want to be regulated in every country around the world, we'd like to have one sort of super-regulator regulating all of our activities. But we haven't had those conversations with the SEC yet. It's not necessary for us to really have them with the SEC per se because the regulator in the UK will be aware of and will take a sounding. So you don't have to go to every country and see the individual regulators, the whole concepts and regulations become much more global. So the answer is, we don't know yet. The conversation is unfolding, unraveling, but sure as I'm standing here, we will want to be regulated in some shape or form, and we will be, I believe.

**MR. WILLIAM KOESTER:** Hi, Val, I think it's an interesting concept here. I'm Willy Koester with the Ohio Racing Commission. Question: You're going to buy the horses as weanlings, yearlings?

**MR. FEERICK:** No. Maybe I didn't explain that. We're not buying any of these horses. If you bought a horse as a yearling or a weanling or you race it, it will be your decision to put it onto the exchange or not. You as the owner will decide, I want to liquidate part of my horse.

**MR. KOESTER:** In other words, Sheikh Mohammed, he doesn't go with partners so he would decide who would go on the exchange.

**MR. FEERICK:** I don't think this is going to appeal — honestly, I've had conversations with all the big owners of horses and I don't think this is going to appeal to the Sheikh Mohammeds of the world. But where I think it may appeal to Sheikh Mohammed's empire is, you know, the horses every year that they would put into the catalogs to sell. Some of those are spectacular horses in their own right but they're not actually at the top end of the draft that Sheikh Mohammed would want to keep.

**MR. KOESTER:** More times than not, fantastic bloodlines as well.

**MR. FEERICK:** Fantastic. And there's been so many examples, and I don't want to get those guys in trouble, but there have been examples of how they've sold horses that have gone on to do better after they've sold them. Haven't we all done that? The point I'm really making is that, if the horses that are, maybe a big super-owner like that has decided in March time that they don't want these hundred horses, but the sales may not be until July or September, the vibe I'm getting is that they would want to put those horses on this exchange almost immediately because there is no advantage to waiting until September, they can have the sale proceeds now.

**MR. KOESTER:** Now, would West Point put theirs on there, you think?

**MR. LIFSON:** I've been thinking about that for the last hour here. The first thing that comes to mind to me is, why wouldn't West Point put five percent of any one of our partnership horses on an exchange like this, in order to just get more eyeballs on what we do? I've also been thinking, Val, we could talk later on about this, but it's a natural for a company like ours to be on the fantasy site, from a sponsorship standpoint. Because we're brilliant innovators and we see brilliant innovation like this and we want to be a part of it.

**MR. KOESTER:** Like IEAH, do you think that this is something they would be interested in?

**Jeff Lifson:** I don't know. Any number of these outfits, if they're smart would look at something like this. Because if I can get somebody over, for example, over in England learns about our company via this vehicle and wants to race a little bit in the United States and maybe we give away a piece of a racehorse for somebody who is on the site and comes to us via this vehicle and somehow they're part of this.

**MR. KOESTER:** But I do agree with you, you both are very innovative.

**MR. LIFSON:** Val much more so than me. I just have a decent singing voice.

**MR. FEERICK:** Can I just stress something? I can't stress enough to you, I mean, look, I'm not going to stand here and tell you we're going to pull this off. This is unbelievable audacious. This has never, ever, ever been done before. It's never

been contemplated before. When you see us doing the trials and the simulations and the one at the Royal Ascot and the one I told you about with the 50 people, I was doing the one today to see how you guys reacted. We are just so nervous, we are testing this thing to death, we're just trying our hardest to try and make sure that this will work. The idea of launching the fantasy version, it's just another test. You know, will this thing work? Will people subscribe to that model? Will they be willing to buy and sell shares? Will they trade those shares? You know, I don't know.

So I don't want you thinking that I'm flying off to London this afternoon, we're launching this puppy in the summer and it's a done deal. We're really in test mode; we're having all the right conversations you could imagine with the right people. Can we do it? I don't know. I sure as hell hope we can, it'll be very exciting, the industry needs it, it's really important. The liquidity's not in the market, owners are going that way; no new owners are coming this way. You heard this morning, there's no money for anything, this investment in the industry. And we think this could plow hundreds of millions of dollars into the industry. That's why I wanted to show you the financial projections. They could be off by a factor of 50 percent, but who cares? That's still a big number. And that could really do some serious damage to the industry if we brought it in.

So I hope we can pull it off but I'm actually here today to ask you to help me. If you think I should be talking to somebody, this is your part of the world, it's not mine. Tell me, and I'll go and speak to them. It's an audacious proposition and we think we can do it.

**MR. DARRELL HARE:** That's a very nice lead-in to my question, I'm Darrell Hare with the American Quarter Horse Association and I was just wondering if you'd considered other breeds of racehorses, like the American Quarter Horse.

**MR. FEERICK:** We definitely have not considered it, and we'd definitely like to consider it. I think, when we've been thinking about it, we've been thinking that the strange thing about racehorses is that they have such ridiculous values and when we've looked at other breeds of horses, say, for example, someone asked us if we would consider listing top-grade show jumping horses and dressage horses. And I thought at first, gosh, that's a little bit strange, but I can see where they're coming from because, I don't know if you guys know, but those horses sell for half a million dollars, a million dollars, I didn't know anything about that world until the person raised it with me. So the answer, I think, is definitely yes. But for us, it's one step at a time, and we've got to master the bloodstock industry first and I think that will be at least a couple of years it'll take us.

**MR. LIFSON:** It's 11:15, sadly, but Val will be here and, God forbid, you want to talk to me; we'll be here for a couple more minutes. But I wanted to thank everybody for coming by and especially Val for really making the last hour and fifteen minutes very entertaining. Well done.