

by Denis Blake

★ HOWDY PARTNER

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ONCE UNKNOWN AND UNWANTED IN THE RACING WORLD, PARTNERSHIPS ARE NOW THRIVING



IEAH Stable's 2008 Champion Three-Year-Old Male and Kentucky Derby (Gr. I) and Preakness Stakes (Gr. I) winner Big Brown

RACING PARTNERSHIPS ARE SO COMMON TODAY THAT IT IS HARD TO IMAGINE A TIME WHEN THEY DID NOT EXIST AND, IN FACT, WERE NOT PERMITTED IN MANY STATES. IN RECENT YEARS, HORSES LIKE FUNNY CIDE, AFLEET ALEX, AND BIG BROWN HAVE ATTRACTED EXTRAORDINARY MEDIA ATTENTION, BOTH BECAUSE OF THEIR EXPLOITS ON THE TRACK AND THE UNIQUE STORIES OF THEIR OWNERSHIP GROUPS. ★

While the sport of kings is certainly not a poor man's game, the growth of racing partnerships has given the "little guy" hope that he or she can own a horse—or at least part of one—that can compete with the stereotypical millionaire owner.

Cot Campbell, the president and founder of Dogwood Stable, is generally credited with putting together the first racing partnership in 1969, and he is still going strong 40 years after laying the foundation of today's partnership model. Of course Campbell, who estimates that about 40 percent of the horses running in the U.S are owned by partnerships, did not invent the concept of multiple owners, and even decades before, the sport's heavyweights sometimes joined forces as partners. However, Campbell's idea of putting together a group of owners, all strangers to one another, was quite different at the time.

"I had bought a horse with a couple of friends, and then I thought the next time I do this, I'm going to form a limited partnership," recalled Campbell, who has also penned a trio of racing books. "That had never been done in racing before, and there were certain rules that you could not have over four people owning a horse, so I did the first one with four and then moved up after that. I got lucky in 1971 and bought a very good filly, and she focused a lot of attention on this concept. *The Wall Street Journal*, *Fortune*, and *Forbes* were writing about this unusual partnership to own a racehorse."

That very good filly was Mrs. Cornwallis, a multiple stakes winner that captured the Alcibiades Stakes at Keeneland. Since then, Dogwood Stable has campaigned more than 70 stakes winners, including 1990 Preakness Stakes hero Summer Squall and 1996 Breeders' Cup Juvenile heroine Storm Song, who won the Eclipse Award as Champion Juvenile Filly that year.

The racing industry now makes a concentrated effort to attract new owners, but Campbell's concept was not an easy sell in the 1970s.

"There was no open resistance, but it was a break with tradition, and some of the old guard in the game looked down their noses at it," Campbell recalled about those early partnerships. "But some of the people who laughed at it then are now vigorously pursuing it and putting partnerships together."

PUTTING IT ALL TOGETHER ★

Just as you will never get a consensus from handicappers trying to pick the winner of any given race, you will not find agreement as to the best way to structure a partnership. However, Campbell said that it is possible to have too much of a good thing.

"We have gone from having three or four partners all the way up to 40, which I did not like," he said. "Summer Squall was owned by 28 people, but since then we are back down to four people with a general partnership with Dogwood."

Under Campbell's structure, Dogwood retains five percent, and the four partners each take 23.75 percent. The average share with Dogwood ranges from about \$20,000 to \$50,000, which equates to a horse valued in the neighborhood of \$100,000 to \$250,000.

"That's a range where you can get a good pedigree and a good individual," said Campbell, who picks out about 30 horses per year.

Because of the tough current economic climate, Dogwood recently announced a new eight partner share option for 2009.

West Point Thoroughbreds, which has campaigned four individual Grade 1 winners, breaks its partnerships into 10 percent increments on each horse, with an average investment of \$15,000 to \$20,000. Terry Finley, the president and founder of West Point, said that is about the maximum number of partners to allow for a good experience for all.

"It gets to be a challenge, especially if you get to the big races," Finley explained about having too many partners. "We had a horse in the Blue Grass Stakes, and we just had too many people at Keeneland, so we wanted to get away from that and we've moved in the direction of Cot Campbell. We have maybe 12 to 14 people at the most, and that's a manageable number. The tracks have gotten better at accepting the partnership model, so it's gotten easier through the years."

Dogwood and West Point acquire the majority of their horses at public auction, which creates transparency because investors know the actual



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purchase price of the horse. Some partnership groups allow owners to invest in a pool of horses, which can help spread the risk if a horse or two in the group gets injured or spends too much time watching from the rear of the field. However, Campbell and Finley both stressed that having partners on just a single horse strengthens the bond among that group of owners and allows for a rich experience, if not financially, at least emotionally.

Both also stressed the importance of honesty and integrity, especially in a business that involves so much financial risk and where a \$100,000 purchase can turn into a \$5,000 claimer almost in the blink of an eye.

"Obviously someone who's looking to do this has got to have some discretionary funds," said Campbell. "We've always been very careful to rub people's noses in the fact that this is speculative.

"We have always been forthright about the concept of selling it for what it is," he added. "We don't say that we know this horse is going to make money because he's by so and so; we go out of the way to do the opposite, and I think people appreciate that. We lay it all out on the line."

Finley takes a similar approach at West Point, which he started in the early 1990s and then saw pick up steam later in that decade. He believes the experience of his 10-person staff makes a big difference in the level of success and enjoyment for the partners.

"We are getting people who have tried it themselves with a horse for \$50,000, and then they see they can get in with us on two or three really nice horses for the same money," he said. "So instead of buying a \$30,000 claimer and putting \$20,000 in the bank for expenses, they have a shot to get onto the big stage with us."

"GOING RACING IS MUCH MORE THAN JUST WATCHING AN ANIMAL RUN AROUND IN A CIRCLE," ASSERTED CAMPBELL. "THERE'S A CERTAIN AMOUNT OF EXCITEMENT, TRADITION, AND PAGEANTRY."

Horsephotos/NTRA



West Point Thoroughbred's 2008 Jim Dandy Stakes (Gr. II) winner and Preakness Stakes (Gr. I) runner-up Macho Again

LETTING THE LITTLE GUY JOIN IN ★

While an initial investment of \$20,000 might be small change to many in the racing world, there are many potential owners who simply cannot afford to play the game at the level that groups like West Point or Dogwood normally require. One option for those with a limited bankroll is the New York-based Karakorum Racing Team, which sells one-half percent interests for as little as \$499.

Founded more than a decade ago by former financial advisor William Discala Jr., Karakorum offers traditional general partnerships that are much like other companies sell, but it's their limited partnerships that have helped them get noticed, even though that structure represents only a fraction of their business.

"We have 200 shares in the limited partnerships, but we are looking at the possibility of going to 1,000 shares and upgrading the horses and maybe making it even cheaper," said Josh Bauman, Karakorum's head of sales.

"Some of our biggest clients started at that level," he added. "We have some clients that are very wealthy, but we also have 'everyday' people, whether they are sanitation workers, hairdressers, teachers, bus drivers; we've got them all."

Karakorum, which currently has nearly 500 paying clients according to Bauman, focuses mostly on New York-breds and has carved out a successful niche racing primarily on the New York Racing Association (NYRA) circuit. While some companies may shy away from large partnership groups because of logistical problems, Karakorum does not. The company's best horse, a five-time stakes winner named Karakorum Starlet who was purchased for \$13,000, had nearly 70 owners at one point.

"We just jammed them in winner's circle," said Bauman. "Our people are spread all over the country, and they don't all come, but we had them three or four deep in the winner's circle when she won the Iroquois Stakes at Belmont."

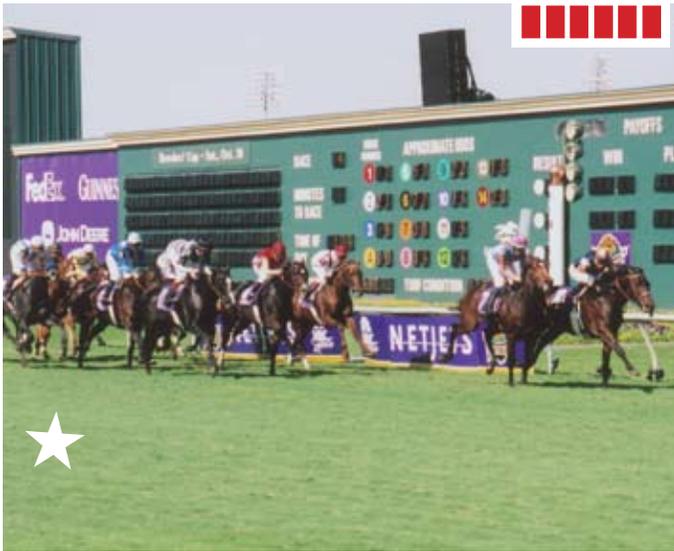
BUYING INTO THE EXPERIENCE ★

From a purely financial perspective, investing in a racehorse might be compared to buying a penny stock and hoping that the company hits the jackpot. Clearly, there are safer options that guarantee a return on investment. However, unlike the stock market or just about any other investment, joining a racing partnership offers the chance for thrills and experiences that many people say just cannot be matched.

"Going racing is much more than just watching an animal run around in a circle," asserted Campbell. "There's a certain amount of excitement, tradition, and pageantry. We've said to people this is something that has three angles: first, it might make money, but don't count on it; second, if it doesn't make money, you are going to get a tax write off; and third, it can be a very exciting, colorful, and glamorous venture."

One partnership group that has taken full advantage of the sport's prestige and glamour is Little Red Feather Racing, which created one of the racing's best feel-good stories when it won the 2004 Breeders' Cup Mile with Singletary. It is still common on racing coverage or promotional pieces to see footage of the exuberant group of owners jumping up and down in a Lone Star Park suite and then packing the winner's circle.

"That was a life-changing experience for me and really put us on the map and allowed me to follow my dreams and goals," said Billy Koch, the founder and managing partner of Little Red Feather. "I want to get more and more owners into the game, and that was my mandate to myself after that happened."



Little Red Feather Racing's 2004 Breeders' Cup Mile (Gr. IT) winner Singletary

While the company is still searching for its next Singletary, it has made headlines because of its celebrity partners, including professional athletes like Tom Brady and hip-hop star Jay-Z. The company's best publicity has probably come from popular sports talk show host Jim Rome, who after once questioning whether horse racing was even a sport, now talks frequently about what a great sport it is. That publicity helps not only Little Red Feather, but also racing in general.

"We've been fortunate to have some high-profile clients, like Jim Rome who talks about it on the radio weekly, and we've had some hockey and football players," said Koch, whose grandfather Howard W. Koch was a noted Hollywood producer and director.

"When I was growing up and my grandfather was taking me to Hollywood Park, that's why they called it Hollywood Park, because it was Hollywood," he noted. "And then you can go back to the days of Bing Crosby at Del Mar; it was all about celebrity. We kind of lost sight of that for a while."

No matter the amount of fame or fortune (or lack thereof) of a partner, communication is a vital part of the experience, and technology has made it far easier to keep partners updated.

"I'd like to send a West Point shirt to the guy who invented e-mail," said Finley. "It's been so helpful. I like to think we are pretty forward-thinking about communication and technology; everything is based on the objective of enhancing the ownership experience."

Many partnership groups have "members only" sections on their websites where partners can log in for updates, and many groups use YouTube to post video of morning workouts.

There are countless ways to structure partnerships and numerous strategies to find the next big horse, but it is clear that as ownership costs rise and the sport struggles to attract new owners, partnerships are vital to racing's future.

"In reality, we are in competition with the other partnership companies, but it's still better for all of us to keep going and thriving," said Bauman, noting that partnerships help fill races and keep quality bloodstock from being sold to race overseas. "From my perspective, the American racing experience is going to depend on the partnership industry if it's going to really last and thrive. Horse racing is going to continue, but we need it to continue at a high level in this country." 

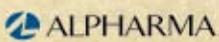
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