

Getting started the right way

Some tips for prospective horse owners attending their first sales

by Don Clippinger

SUMMER SALES season has begun, and in the coming months thousands of horses—first yearlings and then broodmares and weanlings—will be sold at public auction. The sales pavilions at Keeneland, Fasig-Tipton, Saratoga, Ocala, and other sites will be packed, and among the throngs will be people with a readily identifiable glassy stare. Those would be the first-time buyers.

Some of them will be well prepared for their first experiences in the sales venue. They are glassy-eyed only because sales—with their sounds and relentless activity—are overwhelming experiences, even for people who attend them regularly. The others—those who are not well prepared—are just overwhelmed, period.

For the new owner, the sales are an intense learning experience. Much can be learned about the horse business within the days and weeks leading up to the sale as well as at the auction itself.

The lessons can be positive or ultimately they can be negative. Reynolds Bell Jr., a bloodstock adviser in Lexington, agreed to share some of his thoughts on how new owners or people who are new to the sales arena can gain the most from the experience.

Son of Alice Chandler and grandson of Hal Price Headley, Bell, 47, certainly has the proper pedigree, and for 15 years he managed his mother's Mill Ridge Farm near Lexington. In 1992, he founded Reynolds Bell Jr. Thoroughbred Services and has been involved in several notable transactions. Last year, he signed the sales receipt for the record-equaling, \$7-million purchase of the Riverman mare Korveya for Jayeff B Stables to dissolve a partnership. He also was involved in the 1997 acquisition of 1990 champion three-year-old colt Unbridled by Claiborne Farm.

While Bell has a select group of clients, many of whom are industry veterans, he sometimes receives inquiries from people who want to get started in the Thoroughbred business. Bell's advice to them can be distilled into two principles:

- Know yourself, and
- Know what you want to do.

Know yourself

A thoughtful evaluation of likes and dislikes as well as finances should be the initial step in the process of investigating the possibility of horse ownership.

"First, I hope that they have done their homework a little bit, that they have done their due diligence," Bell said.

Due diligence in this case means learning about the Thoroughbred business; an intricate and financially challenging world lies beyond the winner's circle.

When he receives a call from a potential new industry investor, Bell's first task is to help that individual through a personal inventory. For instance, does the person:

- Want to race or to be involved in the breeding side of the industry?
- Have the financial reserves to operate at the level he or she wants?
- Want to operate as a business or simply for the pleasure of racing?

With those questions answered, "then you find out what kind of commitment they want to make," Bell said.

The evaluation process is not unlike that of a stockbroker when approached by a new investor in the financial markets, and it is a metaphor that Bell uses himself. Does the person want short-turnaround investments? In the Thoroughbred game, that would be ready-to-race horses and pinhooking sales yearlings to resell at the juvenile sales. Or, is the person looking for the long-term investment, such as buying yearlings to race or acquiring broodmares? Or, does the investor want both immediate and deferred income?

"It's very much like a stock portfolio," Bell said. "You manage the long-term and the short-term investments."

He provided an example of a new client who called him last year. "She had done her due diligence, but she wasn't sure how she wanted to be involved in the business," Bell said. "She mentioned that maybe she wanted to do some pinhooking of yearlings to two-year-olds or weanlings to yearlings."

As they talked further, Bell established that the new client was not really interested in short-term

investments. "The more that we talked about what she liked and what she didn't, we realized that she wanted quality, long-term investments. We determined that what she wanted was broodmares, and that she might race or sell their foals."

Developing a game plan

Figuring out what the client wants is only the first step in the process. The second and perhaps most crucial step is developing a business plan. For new clients, Bell helps establish an investment game plan that looks ahead three to five years. Without one, it is all too easy to get lost in the intricacies of the Thoroughbred game.

"Mother Nature throws you a lot of curves in this business, so you need a game plan, a road map so that you know where you're going," Bell said. "That's how I like to see people come into the business."

For Bell's new client, the planning extended through the summer and included several decisions. For one, the client decided that, both to realize some cash flow and to breed for the long term, the colts would go into the sales and the fillies would be retained as racing and potential broodmare prospects.

Bell and his client's target of opportunity became Keeneland's November sale. "I recommended mares that fit the criteria that the client established," Bell said.

Two in-foal broodmares were purchased, and so far the results are a colt and a filly on the ground. The mares have been bred back.

Although many of his clients are involved in breeding, Bell understands that racing has a powerful attraction to many new investors.

"Some people are really interested in the excitement of racing, and I appreciate that," he said. "But I want to be sure that they understand about some of the so-called bad days in racing. It's not the business for the faint-hearted, but there's nothing like the excitement of racing. If they want to race, I try to guide them and hopefully give them a chance to be successful."

Making a list

Bell encourages his new clients to participate in the sales—both

beforehand and during the auction itself.

"I see all the horses that we might be interested in on the farms," he said. "If they have the time, I like to involve the client in the process of looking at prospects and developing a list of prospects."

That list is evaluated, revised, winnowed, and revised again.

Perhaps the most important part of the list-making process is establishing value—a headed determination of how much a horse is worth. The problem with must-have horses is that many others may have that horse at the top of their must-have lists, and prices can spiral beyond reason.

"If you don't get that one, you move on to the next one," Bell advised.

Sale planning involves not only which horses to pursue but also how to manage the resources. If a client goes in with \$800,000 to invest, a determination must be made on how that money will be distributed. For instance, the goal may be two fillies and two colts, with a range from \$150,000 to \$250,000, and adjustments often are made in the sales ring.

"If you bought one filly real well, you may want to make an adjustment for another filly you like," Bell said.

While buying or selling, Bell also is teaching his new investors, principally by providing them with information they need to make sound business decisions. Moreover, today's new investors demand more information than their counterparts 25 years ago. Today, e-mail in particular is a big help, but Bell realizes that too many extraneous facts may be as troublesome as too little information.

"I try to keep my clients well informed and to anticipate questions that they may have. Knowing what's important and what's not important is part of my job," he said. "We try to make it easy for new investors to understand this business. They stay more interested that way." ☺



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