



Racehorse acquisition record

NICHOLAS P. ZITO

Nick Zito has established himself as a leader in American thoroughbred racing, both as a hall of fame trainer and talent evaluator. Nick's specialty is finding elite racing prospects for a fraction of the cost as compared to the top spenders in the industry. His track record is well earned.

Purchases as a sale agent include:

- Kentucky Derby, Preakness and Belmont winners
- Two Breeders' Cup winners
- Eclipse award winner
- 18 Grade 1 winners who were purchased for an average of less than \$180,000
- 14 Kentucky Derby starters
- Over 30 Triple Crown race starters

Financial Performance

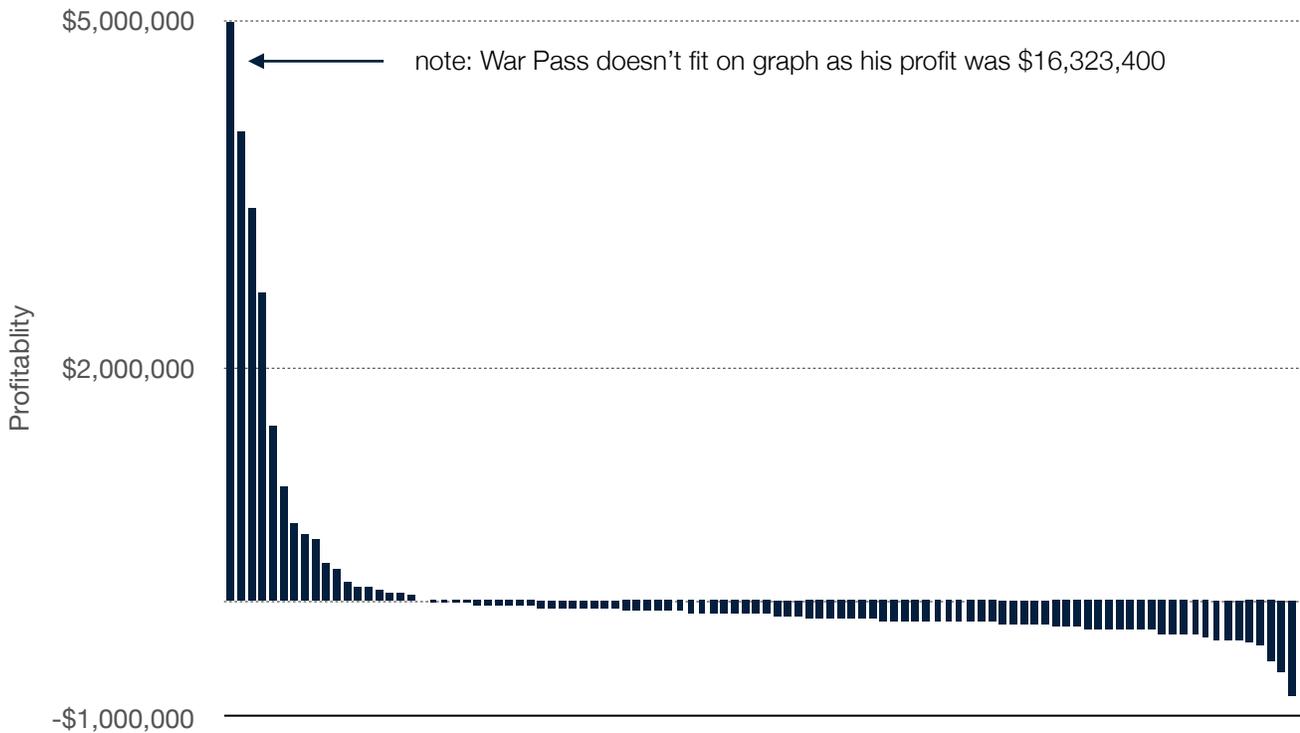
While Nick's track record outperforms the best in the industry, the average racehorse, even those in great programs, will have an expected negative financial return. Below are the financial results of a recent 4 year sample with 100 horses bought at auction by Nick Zito.

- Profitable horses: 18
 - net return per profitable horse (excluding commissions) \$1,777,702
- Unprofitable horses: 82
 - net return per unprofitable horse -\$173,662
- Profit (excluding commissions): **\$17,758,372**

Bellow is a table of stars Zito Racing uncovered at public auction in just that 4 year period, complete with purse earnings, stallion sales and training expenses.

	War Pass	Court Vision	Stay Thirsty	Fly Down	Dialed In	Ice Box
Purchase Price	\$180,000	\$180,000	\$160,000	\$80,000	\$475,000	\$125,000
Training Costs	\$80,000	\$285,000	\$165,000	\$135,000	\$90,000	\$165,000
Purse Earnings	\$1,583,400	\$3,746,658	\$1,936,000	\$1,266,592	\$941,936	\$948,068
Sale Income	\$15,000,000	\$2,000,000	\$3,000,000	\$3,000,000	\$1,200,000	\$1,000,000
Profit	\$16,323,400	\$5,281,658	\$4,611,000	\$4,051,592	\$1,576,936	\$1,658,068

FINANCIAL PERFORMANCE OF 100 ZITO YEARLING PURCHASES DURING 4 YEAR SAMPLE



Zito horse purchases: classes of 2008-2011

Pin-hooking

During that same 4 year period, our primary client used pin-hooking as part of the business model. We would purchase anywhere between 20 and 30 yearlings each year, sell some at the 2-year-old sales and use the profits to help finance the rest of the horses we kept.

While difficult to execute, the strategy worked well. Most horses we sold earned a healthy profit, and because the talent pool we were able to acquire at the yearling sales was so deep, we had plenty of horses leftover to race at the highest level.

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Below is a summary of Zito yearlings **resold** during the 4 year window.

	Zito pin-hooks: classes of 2008-2011
Number of horses	20
Total Purchase Price	\$2,715,000
Total Resell Price	\$4,282,000
Total Training Costs	\$300,000
Profit	\$1,267,000

However, we believe the best strategy is to avoid pin-hooking because of the quality of talent we can acquire at the yearling sales. Below is a table highlighting the lost opportunity when reselling Court Vision, a Breeders' Cup winner, and Stay Thirsty, a multiple G1 winner.

The \$10,682,658 of potential income Stay Thirsty and Court Vision would have provided far outweighs the profits earned from the pin-hooking venture.

	Court Vision	Stay Thirsty
Purchase Price	\$180,000	\$160,000
Training Costs	\$15,000	\$15,000
Resell Price	\$350,000	\$500,000
Pin-hook Profit	\$155,000	\$325,000
Lost Purse Earnings	\$3,746,658	\$1,936,000
Lost Stallion Sale Income	\$2,000,000	\$3,000,000
Training Costs	\$285,000	\$165,000
Lost Profit	\$5,461,658	\$4,771,000

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Competitive Landscape

As previously mentioned, the top end of the market is willing to spend millions in order to attempt to buy the best horses. Not only is Nick Zito the best talent evaluator in the U.S., he compares favorably to the top 30 spenders in North America **combined**. Below is a summary of Triple Crown success:

Yearling classes of 2008-2011	Nick Zito	Top 30 spenders
Horses purchased	100	2,469
Budget	\$16 million	\$633 million
Million dollar yearling purchases	0	102
Ketucky Derby starters	6	7
Derby starter average	1 in 16	1 in 352
Cost per Derby starter	\$2.6 million	\$90.4 million
Triple Crown starters	11	12
TC starter average	1 in 9	1 in 205

Contact

We would love to continue the discussion. More information about our track record and a complete list of top stake horses we bought at public auction, including the 28 G1 placed horses with purchase price and stakes record, can be found at:

<http://www.zitoracing.com/zitoyearlings/>

Thank you for your time.

Nick