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A Derby Newsletter Steeps Long Shots In a Literary Gumbo

Tim Rice Sells Stocks Short But Not Thoroughbreds; 'Shane' Meets Kierkegaard

By RICHARD TURNER
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COVINGTON, La. -- From here in St. Tammany Parish, 24 miles across Lake Pontchartrain from New Orleans, Tim Rice picks stocks and racehorses with a single guiding principle. In the lingo of his two endeavors, he takes the short side, and he tries to beat the chalk. That is, he bets against favorites. Today will be no exception.

It is this philosophy that informs his annual "Derby Choice Journal." In the days leading up to the Kentucky Derby, serious horseplayers and casual fans pore over all sorts of tout sheets and handicapping aids to figure out which horses to back at the betting window or in the office pool. Mr. Rice's offering, which he started handing out to a few colleagues of his at a brokerage firm in 1980, is particularly iconoclastic.



Tim Rice

Over the years, Mr. Rice's Derby ruminations have also grown into long florid letters weaving together racing lore with political, cultural and business history. Two years ago, in a dizzying few paragraphs, he quoted Louis XVI, Kierkegaard, G.K. Chesterton, Ben Franklin, Alan Ladd in "Shane," Jack Nicholson's McMurphy in "One Flew Over the Cuckoo's Nest," a member of the Oakland chapter of the Hell's Angels named Cisco ("When we do good no one remembers; when we do bad no one forgets") - - and finally, rapper Chuck D. Last year, Mr. Rice wrote a long narrative about a local entrepreneur named Richard Ten Broeck, a horse named Lexington and the "Internet-like growth" of horse racing in the 1850s. "I spent a lot of time in the library going through microfilm," Mr. Rice says in his soft Louisiana drawl.

Then came his analysis of last year's Derby and his final betting recommendations. His pick to win the race was a horse named Bandini -- which unfortunately finished next to last. At the same time, he told his readers to bet on Giacomo "across the board" -- that is, to win, place and show. Giacomo, a 50-1 shot, won the race and paid \$102.60 for every \$2 bet (and \$168.20 for the \$6 across-the-board bet). His other profitable picks have included Ferdinand in 1986 (\$37.40 on a \$2 win bet), Unbridled in 1990 (\$23.60) and Sea Hero in 1993 (\$27.80).

In their pre-fax-machine beginnings, Mr. Rice's picks merely served to help co-workers know what they were getting when they drew a horse's name out of a hat at the Saturday mint-julep party. But his passionate sideline now has a devoted following, and he says his Web site, innisfree.org¹, got several thousands hits last year in the days leading up to the big race. He is frank with his readers: He picks underdogs. If they win, they will provide a large payoff. But they usually will lose. Even though the favorite has won the Derby only twice in the 27 years since Mr. Rice began writing, betting long shots is not for the weak-kneed.

Mr. Rice does the same sort of thing in his day job. His firm, Rice Voelker, is a broker/dealer that offers a variety of financial services, but he is at heart a short seller -- that is, he buys stocks with borrowed money, hoping that they will go down. His email address is "uptiksellr." And although the stock market is sometimes compared to casino gambling, he sees horse racing as a better analogy. Horses, like companies, can be researched endlessly. Moreover, the wagering is parimutuel -- you're not betting against the house, you're betting against other fallible humans who might not have done their homework as well as you have. The smarter you are, the better your own odds get -- at least in theory. Mr. Rice points out that when Warren Buffett was a child in Omaha, he and a partner became fascinated with analyzing horse races and hawked their own tip sheet called "Stable-Boy Selections" at the local track, Ak-Sar-Ben.

DERBY DAY



year.

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"I'm a contrarian," Mr. Rice, dressed in gym clothes, said one day recently in his office, which is lined with photos of race horses, Bob Dylan and Mr. Rice's five grandchildren. "I like to buy when a stock is on the new-low list and short it when it's on the new-high, just like I'd rather bet a horse that's 4-1 in the morning line but is 10-1 when the race starts." The morning line is the initial, approximate odds set by the track before wagering begins.

Mr. Rice, who is 63 years old, grew up among the New Orleans elite, in the city's Garden District. His father, a commercial real-estate developer, took him to the Fair Grounds race track regularly when he was a child. "I don't know if it was progression or regression, but I went from being around horses at the race track to raising them and riding them."

At Innisfree, his 200-acre farm near the Bogue Falaya River north of here, he plays polo and breeds a few thoroughbreds -- some of which occasionally win races but most of which follow the more predictable and expensive path of breaking down with injuries -- and eating a lot. If he has a bad year in the markets he might sell one, but usually he doesn't. "I fall in love with every one," he says.

His connection to New Orleans persists: After Hurricane Katrina he quietly set up a charity and raised \$500,000, which he is doling out case-by-case to needy people and small organizations, looking to target victims more efficiently than the huge relief organizations were doing. In the best tradition of a short seller, he has been a season ticket holder since 1967 of the New Orleans Saints, football's most hapless underdog. He never goes to Kentucky Derby parties, inevitably watching on TV at home with his wife, who sells real estate and rides show horses.

Mr. Rice still likes the action of the track, however. Last summer, as he does most summers, Mr. Rice joined his friend Marc Cohodes, managing partner of noted short-selling fund Rocker

Partners, at Del Mar racetrack in southern California.

In the markets, Mr. Rice is a small player compared with the Rocker hedge fund, and he bets less money than his friend at the track. But Mr. Cohodes doesn't know horses, so Mr. Rice, as usual, made the picks. Mr. Cohodes started small and by the end of the day had put about \$500 of his own money in play. In the end, both men say they had won so much money they had to fill out tax forms before they could cash their tickets. When the ninth race was over, Mr. Cohodes says, he tipped the clerk who took his bets \$1,000.

"Then I took 18 people to dinner -- paid cash. Two nights at the Hyatt -- cash. My rent-a-car -- cash. And I took \$13,000 home."

Mr. Rice describes himself as a "trip" handicapper, which he sees as similar to taking a short position. "Speed" handicappers obsess over which horse has run fastest in prior races, which Mr. Rice says can be a little like jumping on an overheated stock. He prefers the subtler art of studying bloodlines and trying to predict how a race will play out.

Mr. Rice freely admits that his two pursuits have put him through a lot of pain. Horses stumble and get nipped at the wire. Some dubious stocks go up and up before they tumble. But he has one conclusion: "I really believe that horse racing, for all its obvious problems, is a more honest game than the stock market."

Mr. Rice says he has been busy at work this year and had to scramble a bit to produce his latest Derby treatise -- an homage to the great champions of the 1960s, Kelso and Northern Dancer. He managed to work in allusions to James Meredith, Wayne Newton and the Funky Chicken. Then he went through the 20 Derby entrants and made his pick for today's race, a horse which to his chagrin has since generated some last-minute support from betters. The choice? Sweetnorthernst. The morning line had him at 10-1.

Write to Richard Turner at richard.turner@wsj.com⁵

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