

## Our Responsibilities and Fair Pricing...

Our foremost challenge and goal in each fair is to 1) provide a spectacular platform or stage where exhibitors can effectively display their work; 2) bring a reasonable number for qualified new potential clients to view each dealer's presentation; and 3) assist each dealer in bringing their existing clientele to the venue which is vital to the overall success of the fair. Fair organizers cannot guarantee sales – they only provide a stage and assist in attracting an audience. Sales and financial results are ultimately the responsibility of each dealer.

Each of our fairs is individually priced to reflect 1) actual on-site production and promotional costs which vary greatly by market; 2) our substantial year round staff costs; 3) the costs of providing services such as advertising production, online technical services, and fair design, 4) provide a projected profit for our firm.

As fair organizers – and as the principals of the company - we are sometimes approached by dealers in this challenging economy who suggest a discounted price for booth rentals in our fairs or aboard our exhibition yacht Seafair. Others dealers often suggest that we accept a percentage of sales in lieu of booth rentals or some combination of booth rental and/or a percentage of their sales.

We have found such practices not to be to the interest of our clients because:

- In today's challenging environment, competitions at all levels of the retail sector are ever more competitive. Dealers must compete with other dealers, the internet, the major auction houses, and other luxury sectors. For us to help our client dealers be competitive with all these other sectors– it takes substantial advertising and promotion – which in turn always takes substantial financial expenditures on our part.
- Fairs at their best are exercises in group marketing. If dealers band together for any fair – whether 30 or 300 dealers – they are able to jointly fund a substantially larger advertising and promotional effort than could any individual dealer. Fair organizers are simply a conduit for dealers combined funds and the organizer's small profit – if any - may be viewed as a service or professional services fee. But absent adequate funds, there cannot be proper advertising and promotion for any fair. Every dealer who has ever participated in a fair – successful or otherwise - understands this from experience.
- Organizers must rent premises, construct the fair, undertake the advertising, provide the security, and provide staffing at all levels including construction workers, permanent year-round office staff, show staff, ticket sellers, ticket takers, restrooms attendants and a full crew aboard our ship. All these are “cash up front” expenses which must be paid immediately and cannot therefore be dependent on individual exhibitors' sales results.
- Dealers ultimately control their own success or lack thereof at any fair. They determine their own inventory, set their own prices and terms, attract their existing clients, and interact with potential new clients. Organizers have no control over these factors which generally affect each dealer's individual financial outcome. For those reasons, organizers financial outcome cannot be fairly be based on these critical matters over which they have absolutely no control.
- In order for dealer to have the best chance of a profitable fair – which is all any organizer can reasonably offer – there must be adequate advance funding for the entire enterprise at competitive prices which will allow the organizer to furnish the proper staging, advertising, and promotion of each fair. Discounts or artificially lower prices only create a shortage of funds for the enterprise-which must logically then translate into less advertising, promotion, or “cutting corners” in staging of the event – thereby offering a lesser opportunity for success for all concerned.
- Every organizer's continued business survival depends completely on their ability to stage fairs which are successful for a majority of their clients. If any organizer creates or accepts a budgetary formula which will makes their client dealer's successful outcome less possible, they sabotage

both their own business and their client dealer's chance of success at each fair. Creation of a budgetary formula for any fair where dealer's success is less likely is not a wise decision for any party.

- No fair organizer in the world has invented a formula where dealers can enjoy success without adequate fair funding. The best fairs in the world – such as TEFAF and Art Basel – are also the best funded and the best promoted. We are committed to staging equally successful, well promoted events - albeit on a smaller scale – as we recognize that adequate funding is a key component of any fairs successful outcome.
- It is in the interest of all dealers for fair organizers to financially survive. Fair organizers provide markets for dealers at their risk. If organizers do not survive, dealers will have less market choices in an ever more competitive retail environment including auction houses, the internet, and other event driven models.
- Dealers are generally specialists in their field – they are not large scale show producers, advertising specialists, and do not generally have today's crucial internet resources and databases. These matters are best the specialty of show organizers whose professional skill is to deal with these tasks.
- When considering various fair prices, the ultimate truism applies: "Consumers generally get what they pay for!" For dealers to expect a financially successful, well-staged and promoted event with less than adequate funding is both impossible and impractical. Participation in such events are not generally a good use of dealer's most valuable commodity – their time - not to mention wasted shipping travel , insurance and lost opportunity costs.
- For all of the above reasons, we have made the decision that we will charge the competitive prices necessary to effectively stage each fair. Deviations from that policy generally do not serve the greater good. We are certain you will understand and agree with our position in this matter.
- IFAE fairs attracted an audience of 160,000 attendees last year. Estimated sales exceeded \$100M. IFAE will strive to continue to be a market leader in the coming year.