



EVENT HORSE OWNERS ASSOCIATION

Syndicate Guidance Notes

Introduction

Where you join together with several others to own a horse – i.e. to form a syndicate – there is no single set of rules you should adopt. But there are a number of points that you should think about before drawing up the syndicate rules. This leaflet outlines some of these points. It is most certainly not conclusive. For larger syndicates or more complex arrangements it is probably worth getting a solicitor involved.

General Points

- * Attempt at all times to do what is best for the horse;
- * Remember that your rider(s) knows the horse better than you do. It's likely to be more important, financially and emotionally, to him/her than to all of you;
- * You, the members of the syndicate, should share the same attitude to the sport and share the same aspirations for the horse(s);
- * Good communications – rider to owners and between yourselves - are essential to a successful syndicate.

What kind of syndicates are there?

All sorts including:

- * One owner, one horse: with cost sharers where one person owns the horse (and takes the capital risks, losses and profits) but others in the syndicate pay a proportion of the running cost. In return the members are able to follow 'their' horse, share the excitement, socialise etc. 'Dividends' (if any and unlikely) could be paid out at the end of the season;
- * Partnerships: Up to about 20 people supporting fully one or more horses. Good administration is essential;
- * Joint ownership: from 3 to 4 people (BE will not register more than 4 owners, and event programmes often give the names of only 3 owners) who share everything equally.

What are the benefits of owning horses through a syndicate?

- * Essentially the opportunity to 'have' a horse that you could not otherwise afford, or of a quality you couldn't otherwise afford, and to run it;

- * If you are not the syndicate manager (see below) to be able to avoid the hassle of running an eventer;
- * The opportunity to go to events and to share the fun together. A pleasure shared is a pleasure doubled;

But there are pitfalls to be avoided – see below.

What is involved?

Prospective members of your syndicate need to know that there are two main costs involved:

- 1 the cost of the horse;
- 2 the anticipated annual costs of running the horse:

At the time of writing (Spring 2009) the purchase price of an event horse can be between £15,000 and £20,000 for a well-bred youngster, around £50,000 for a high potential intermediate horse and hundreds of thousands of pounds for a top horse. The average annual costs of keeping a horse in training with a professional rider is unlikely to be less than £12,000 when all eventualities (see below) are taken into account.

What considerations regarding the horse/horses?

Once you have your group of similar minded friends (forming a syndicate with strangers is clearly risky) you must:

- * identify your rider (or for large syndicates possibly more than one rider); Although it is clearly possible to form a syndicate and then go out to find a professional rider, that's pretty unusual. Normally the syndicate will be formed to buy a horse (horses) for an identified rider.
- * identify how much the syndicate can spend buying a horse(s); Your rider will need to be involved from the beginning in advising on the type and likely cost of the horse.

Multiple horse syndicates can follow some of racing's examples, i.e. choosing at the end of the season which horses to keep and which to sell. This could help fund on-going activities. But you must have a very experienced syndicate manager to follow this path.

What about the rider?

Event riders – not least the top guns – are very competitive. They want to bring horses to the top and they want to win. While they will be commercial and realistic, they will be very reluctant to see a horse with high potential move on.

It is essential that the syndicate has a written agreement with the rider (almost all professional riders will insist on this). See the EHOA's guidance leaflet.

It is essential to keep your rider on-side by keeping him/her closely involved with the syndicate and its expectations. Otherwise you risk hampering your rider's role as the main 'communicator'. Remember, your rider's recommendation and advice about the alternative plans for the future of your horse will be critical.

Your members should appreciate that though the syndicate may give your rider access to better horses and a better chance of enhancing his/her career, the amount of time needed to communicate properly with the syndicate - not least the PR activities - can be a real disadvantage. Some riders may find the process especially difficult and will need encouragement.

Most important - to keep your rider sane - you must appoint one member to be the rider's point of contact. That person is then responsible for communicating with the rest of the syndicate, and it should be a two way process.

What do you need to do to form a syndicate?

As stated at the beginning of this leaflet, only invite people to join you who have similar views about the sport and similar - and realistic! - expectations for the horse(s). Certain ground rules need to be agreed upon and understood at the outset.

Owning an event horse through a syndicate is, essentially, no different from any other joint venture. You need to be prepared for things to go wrong - with the horse, with your relationship with your rider, even with and between members of your syndicate. The syndicate rules need to be clear how these sorts of difficulties are to be resolved.

A check list of some things to think about.

This list is not exhaustive, so think of your own situation and everything that could arise on which agreement in advance is needed.

- * syndicate name and colours (though most professional rider prefer to ride in their own colours);
- * who is going to manage the syndicate and relate to the rider?
- * how the syndicate finances are to be administered; signatories to cheques etc;
- * how the shares in the syndicate are to be divided;
- * will shares be paid for by a one-off payment to cover the purchase price and all on-going costs for the initial term of the syndicate agreement, (if so has the rider agreed to absorb any unexpected costs?) or will there be an initial capital contribution followed by monthly or quarterly payments (ideally by standing order);
- * how the costs of running the horse are to be met. All by the syndicate or some by the rider?

- * is the horse to be insured? If so what about loss of use? What about personal accident cover for the rider?
- * what about syndicate admin costs -. postage, phone bills, hospitality, newsletters etc?
- * consider any extraordinary costs such as transport to events abroad and very heavy veterinary bills;
- * remember that particularly talented young horses can progress quickly and then running costs will go up faster than originally expected;
- * how will stable passes be allocated between members (normally only two passes are issued for 3* and 4* events);
- * will sponsorship be sought for the horse? If so who will do the seeking?
- * how will such of the prize money as belongs to the syndicate (the rider is likely to share prize money) be handled? Will it be paid out immediately or at the end of the season or retained to fund future costs?
- * how will 'owners' prizes' be allocated?
- * who will handle the money and produce the syndicate accounts?
- * what happens if a member refuses, or is unable, to pay his share of the running costs?
- * what are the arrangements for admitting new members? How much must they contribute? Can they buy out all or part of the share of an existing member?
- * when is a member permitted to leave the syndicate? What happens when a member wants to do so? Must he offer his share to the continuing members? Is so at what price and on a pro rata basis? Can he sell to someone else, thereby bringing his purchaser into the syndicate? Should the horse be valued at the end of every season, and, if so, by whom?
- * what happens if the horse is a complete star and some, but not all, members want to sell him?
- * what happens if the horse is injured and laid off, or is only suitable to event at a lower level?
- * what about voting rights – per member or per share?
- * who will organise sustenance at events, or social gatherings? What about an end of season meeting with your rider?

- * as to communications, regular – i.e. weekly or bi-weekly - up-dates on the horse's progress, future plans, and health are essential, by newsletters and/or emails.

As already stated, this is an overview only. It's intended to be a helpful guide. The EHOA cannot be held responsible for any action taken or not taken on the basis of anything contained in or omitted from this guide. It has not been prepared on the basis of legal advice and must not be considered as a substitute for legal advice.

April 2009