

POINTS TO CONSIDER WHEN SETTING UP A RACING PARTNERSHIP

1. What is the name, breeding and age of the horse(s) and what are the sizes of the fractional interests?
2. Duration. How long is the arrangement intended to last and in what ways is it envisaged that it will come to an end? Do participants have the ability to come out of the scheme before it ends and, if so, how and on what basis of valuation? If there is scope for a member to come out early, do the other members have a pre-emptive right to acquire the interest of the person leaving? Can a group of participants (whose overall interest exceed a certain percentage of the overall ownership interests) force a dissolution of the arrangement before its intended expiry date and, if so, how?
3. Management. Who manages the syndicate and on what basis of remuneration? Are there any checks and balances to ensure that the manager is running the operation properly? (Sometimes it is a good idea to have a management committee so as to inspire more confidence than might be inspired by a single manager). Can the management be sacked and, if so, how? Can meetings of members be held and, if so, on the requisition of how many and by what method? At a meeting of members, what proportion must support a resolution for it to be passed?
4. Interest. What exactly is the nature of the interest of each participant in the scheme? Does he own a fractional interest in a horse or is the link between the horse's ownership and his participation in the scheme more tenuous? How easy is it for him to correlate the size of his interest in the horse and the costs he is having to pay?
5. Costs. Are all costs that will be involved clearly shown and explained? Are they clearly allocated as between various heads of expenditure such as acquisition costs, training fees, management charges, commissions, insurance, etc.

If the scheme is one where all costs are not paid up front, what controls on expenditure exist? Can the management agree to the horse being entered for races of any kind and simply pass on the cost to the owners?
6. Insurance. How much is the horse insured for initially? Who is responsible for reviewing insurance values? Is the horse in fact insured?
7. Third party liability insurance. Are all the members of the partnership members of the ROA? Owners are vulnerable to claims even when their racehorse is in somebody else's possession. The law may define a racehorse's owner as any individual who has a financial interest in that horse, so all members of a racing partnership should be mindful of their potential exposure to this risk.