



The Equine Esquire

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Horse Ownership Syndication—A Useful Way to Finance the Purchase of a Competition Horse

Syndicates have been popular for the purchase of racing and breeding horses; however they are also a means for many top professionals to purchase competition horses that would otherwise be financially untouchable.

A syndicate is simply a form of horse ownership. A group of people join together to purchase a promising competition horse for a specified rider. Typically in this division of ownership each shareholder or member pays a portion of the cost to purchase and maintain the horse. The multi-investor syndication's legal form of organization is usually either a partnership or limited liability company (see the winter 2015 issue for my article, *Forming a Limited Liability Company for Your Horse-Related Business*.) This type of ownership is increasing, especially at the top levels of competition. The U.S. Eventing Team for Rio included two syndicate-owned horses, and three non-traveling reserve syndicate horses (www.chronofhorse.com/article/usef-names-eventing-team-rio-olympic-games).

In the Rio Olympics, a syndicate was formed for the purchase of the three-day eventing sensation, Blackfoot Mystery, for the accomplished event rider, Boyd Martin, to compete on in the games. In his early years, the horse failed as a racehorse, but found his true talent under the guidance of event rider and trainer Kelly Prather (see page 6 of this issue.) Per the *Wall Street Journal*, the asking price was \$300,000 and a 12-member partnership was formed to make the purchase (www.wsj.com/articles/buying-shares-in-an-olympic-dream-1470007756.) The article also states that each participant put up about \$25,000, plus they pay \$5,000 annually for the anticipated costs of travel and care.

When forming a syndicate, probably the best prospective owners are going to be similar-minded friends. These are people with similar views about the sport, with similar and realistic expectations for the horse. Regarding Blackfoot Mystery, the *Wall Street Journal* reported that, "The syndicate members know each other through Boyd Martin and the competitive riding world, and they describe themselves as tight-knit: throughout the year, Martin sends out training videos and photos and updates on Blackfoot Mystery." (id.)

It is highly recommended that the terms and conditions of the venture be memorialized in an effective and enforceable agreement. A specific LLC is commonly created, which then provides liability protection and an operating agreement to set forth the rights and obligations of the members. When owning a horse through a syndicate, be prepared for things to go wrong with the horse, rider, and relationships among everyone involved. Clear syndicate rules go a long way in giving direction on how these difficulties are to be resolved.

Basic considerations are:

- **Syndicate shares:** Ownership interest purchase price? What percentage ownership will each person have? Price of each fractional interest? Annual maintenance fee? Transferring ownership interest?
- **LLC Management:** Who manages the LLC? Paying of expenses? Maintaining records, bookkeeping, accounting, and taxes? Marketing the syndicate? Communication with members? What are the financial powers of the LLC's manager (bank accounts,

purchasing insurance, entering into contracts, etc.)? Holding ownership meetings? What happens when a member wishes to leave the syndicate? Recourse for an member's default on financial obligations to the syndicate? Death of a member?

- **Care, custody and control of the horse:** Who manages the care and training of the horse? Veterinary decisions? Decisions regarding competitions? Sale of the horse (and what if not all members wish to proceed with the sale?)? Visits by members?
- **Prize money:** How will syndicate prize money be handled? Paid out in equal sums or by ownership percentage? Retained to fund future costs? Paid out immediately or at the end of the show season?
- **Dissolution of the LLC:** Under what conditions is the LLC to dissolve? Winding up steps such as selling the horse, filing dissolution documents, distributing proceeds and other LLC assets, etc.?
- **Contingency planning:** Do members clearly understand that unforeseen and tragic events sometimes occur in equestrian sports? Circumstances necessitating euthanasia? Injury and/or illness to horse forcing retirement of the horse? Rider is unable or unavailable to manage the horse?

This list is in no way exhaustive. It is intended to outline some of the material issues and topics for consideration/discussion when taking the beginning steps in forming a syndicate.

A syndicate can be a rewarding and exciting form of horse ownership. For the competitive rider, it provides funds to purchase and compete a horse that would have otherwise been unobtainable. For members, it allows them to enjoy the thrill and sense of camaraderie of owning and participating in a national or international quality competition horse, all at a shared cost.



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The above article is provided free and offers general information on the topic of syndicates. Neither the author nor the publication intend this article to be viewed as rendering legal advice. If legal advice is sought, readers should seek competent legal counsel regarding their particular circumstances.

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