

Guidance on the Joint Ownership of Event Horses

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Please note that this information is not intended to constitute a complete or definitive statement of the law on any subject and is not intended as legal advice for any specific situation. It is your responsibility to obtain your own advice in relation to your specific situation.

Q: Who is this guidance for?

A: Anyone who owns (or plans to own) a share in a horse with one or more other people.

A quick scan of the programme or scoreboard at any competition reveals how many horses are owned by individuals, companies or syndicates rather than by the rider alone. This is in part due to the shift towards greater rider professionalism and in part due to a growing number of individuals who wish to become stakeholders in the sport. The costs of buying, keeping, equipping and competing a horse are not trivial, and for many individuals the opportunity to share the financial liabilities of horse ownership with other like-minded equestrian enthusiasts is an interesting proposition. For some, a co-ownership arrangement may offer an affordable means of purchasing of a horse to participate in the sport. For others such an arrangement may enable them to capitalise on the value of a promising horse they already own, generating a return on investment as it rises through the grades and without consideration of an outright sale. Whatever the motivation, such collaborations mean owners can enjoy the sport in good company, keep costs to an affordable level and support riders more effectively.

Many of these arrangements run for years without issue and give rise to thoroughly enjoyable equestrian experiences and to enduring friendships. However, it is advisable that arrangements made between owners and their riders are properly recorded from the outset. Whether this is the first time you have invested in such an opportunity or you are an old hand at it you should consider in advance the terms on which shared ownership should be based. Discussing what each party intends and the preparation of a formal, written agreement encourages you to think in advance about the different possible situations that are specific to you and to agree how these will be dealt with. Riders also need careful consideration and should be covered by a separate contract. Who will decide on matters such as training policies, veterinary care, insurance and the competition schedule? Owners may have widely differing opinions on a horse's training and competition strategy and if mechanisms are in place arranging compromises will be far easier. Particularly at the top level, a horse's eligibility for certain classes may alter as they upgrade and planning for this and other contingencies is important.

Efforts made to understand the implications of co-ownership will help flush out any misunderstandings and may avert disagreements at a later date. What may start out with a

handshake when everyone is getting on well has the potential to go wrong: aspirations may not be fulfilled when relationships falter and horses, initially thought to be promising prospects, may become financial burdens when issues arise that mean they cannot be kept in work. Rules for when and how co-owners can sell their shares in a horse need to be agreed in advance, as dissolving a relationship at the end of the project can be awkward if the terms are not properly established from the outset. Going through a prepared process to formalise a reliable agreement will also identify some considerations that may not otherwise be contemplated. For example, what happens if one of the owners sadly dies?

To some the costs of obtaining written terms may seem unnecessary but the costs of resolving matters will probably exceed the costs of formalising arrangements. Verbal contracts can be binding but relying on those terms can become expensive if a dispute arises. Whilst these arrangements may seem initially to be a bit 'over the top', they will prove their worth when queries arise or when circumstances change.

With these considerations in mind, these guidelines have been developed to assist with the decisions needed for written ownership agreements. There is no single set of rules you should adopt and in fact there could be a number of different agreements which would be appropriate for you. Examples of some of the alternatives available are illustrated in the accompanying: ***Horse Owners Requirements and Agreements Flowchart***

In all cases there are a number of points that you should think about regardless of which agreement you choose. These are highlighted in the following tables.

Part A: Organisation and Structure - helps you decide which legal structure suits your purposes best.

Part B: Considerations and Requirements - leads to the information required from each party to the venture and highlights some of the considerations you need to tackle. The list is not exhaustive but if all the owners can agree to the answers to the relevant issues in Part B this will aid in drafting suitable co-ownership agreements.

Finally, an example of a draft ***Competition Horse Co-Ownership Agreement*** is appended.

Please remember that these guidelines and examples need your specific input in order to make sure they work for you. Note that this information is not intended to constitute a complete or definitive statement of the law on any subject and is not intended as legal advice for any specific situation. It is your responsibility to obtain your own advice in relation to your specific situation. All such agreements should be reviewed and approved by a legal professional.

PART A; Organisation & Structure		
1.	Group Type	
1.1.	Do the owners (and riders) operate as an incorporated business (Ltd Company or LLP)?	Yes: continue No: go to 1.5.
1.2.	Are the parties involved operating a business?	Yes: continue
1.3.	Do you anticipate submitting a tax return (corporation tax or income tax return) for the profits of the business?	Yes: continue
1.4.	Is it preferable for the business to have its own legal liability and accounts because of the anticipated turnover?	Yes: Please take the advice of a lawyer when setting up a <u>Business</u> .
1.5.	Do the parties involved intend to identify specific roles for each other and agree how costs and profits are shared between them annually?	Yes: You may need to create a <u>Partnership Agreement</u> , please complete part B. No: go to 1.6
1.6.	All the parties involved agree they are not in business but wish to formalise the arrangements between them for the ownership of a horse(s).	Yes: A <u>Co-ownership Agreement</u> may suit, so please complete part B. No: go to 1.7
1.7.	Is this a group of supporters who wish to be involved in supporting specific horses or a rider for an annual fee?	Yes: This is probably a <u>Club Membership</u> for which a constitution or set of rules will be required. No: go to 1.8
1.8.	Does the arrangement include one or more horse and/or riders backed by a group who wish to have a stake in their prospects?	Yes: this is a <u>Syndicate Agreement</u> which will require a manager and written terms No: your proposal is quite unique!
1.9.	Are you a rider wanting to ride other people's horses without the financial burdens of horse ownership?	Yes: discuss with a lawyer the implications of being employed by the owners, being self-employed or under contract. Consider tax, insurance and pension. Have it in writing on terms to protect you and your staff.

1.10.	Do you, your group or organisation wish to acquire a horse for a specific purpose on agreed terms?	Yes: <u>Horse Loan Agreement</u>
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PART B; Considerations and Requirements

2.	Group Details	
2.1.	What will the group's name be? (To be recorded on horse passport and announced as the Owners at competitions).	
2.2.	Are there any restrictions on the use of the name?	
3.	Parties	
3.1.	Names, addresses, email and phone numbers	
3.2.	Please provide as ID your photo-card driving licence or passport	<i>As attached or electronic copy</i>
4.	Place of Business	
4.1.	What is to be the address for the Group?	
5.	Duration	
5.1.	From what date is the agreement to take effect?	
5.2.	Is there an existing agreement? If so, please record terms and subsequent modifications.	
5.3.	Is the membership for a fixed term or indefinite duration?	
5.4.	Are there any circumstances in which the group will automatically terminate?	
5.5.	Are there any circumstances in which any party will be entitled to terminate the partnership, for example: <ul style="list-style-type: none"> • a change of control of any other party; • a material breach of the agreement by 	

	<p>another member; or</p> <ul style="list-style-type: none"> • by notice of termination given after the expiry of a minimum fixed term? 	
5.6.	What majority will be required to dissolve the group?	
5.7.	Will death, bankruptcy, retirement or expulsion of a partner lead to dissolution or will the group continue despite such events?	
6.	Cost and Capital Contributions	
6.1.	How will capital be contributed initially?	
6.2.	How much cash are the parties required to contribute and when?	
6.3.	In what proportions will the parties themselves provide capital?	
6.4.	Will interest be paid on funds held?	
6.5.	Will profits and losses be share equally or in proportion with capital contributed?	
6.6.	<p>What arrangements will there be for future funding?</p> <p>Will each party be required, or entitled, to contribute, pro rata to their original investment or otherwise?</p> <p>How will additional working capital requirements be fulfilled?</p>	
6.7.	How will the value of horses be determined?	
6.8.	Will the group allow borrowing and lending between members and for/by third parties including banks and financial contributions?	
6.9.	Should there be a one-off annual payment to cover the purchase price and then the running costs to be shared?	

6.10.	Will there be an initial capital contribution followed by set monthly or quarterly payments?	
6.11.	What about expected and unexpected costs (for example transport to events, trainer, tack, veterinary bills, physiotherapy, equine masseur, farrier and dental fees)? Can these costs be incurred by the Rider to be paid by the Owners?	
6.12.	How are the owners to be invoiced?	
6.13.	What happens to a member's interest if they default on their payment obligations under the agreement? Should more money be paid upfront?	
6.14.	How will administration costs be covered; postage, phone bills, competition fees, etc?	
6.15.	Is the rider required to bear any costs?	
7.	Appointment of Riders	
7.1.	How is it decided which rider is appointed?	
7.2.	What terms are riders contracted under?	(Prepare rider contract agreements)
8.	What are the group's assets?	
8.1.	Cash	
8.2.	Horses	
8.3.	Tack	
8.4.	Transport	
9.	Profits and losses	
9.1.	On what basis are profits/losses to be calculated for the purpose of allocating them to parties?	
9.2.	In what proportions will the partners share profits/losses, and when?	

9.3.	What arrangements will be made for contributions to costs and liabilities incurred by the group?	
9.4.	How will proceeds of any sales be allocated?	
9.5.	How will shares in new horses be allocated and accounted for?	
9.6.	Does one party's entitlement to profits and losses alter by dint of their debt to the group, absence, illness or dispute?	
10.	Partners' Drawings	
10.1.	How much will partners be entitled to draw on account of profits?	
10.2.	When and how should drawings be made? Will this be agreed in advance or as and when necessary?	
10.3.	What will happen if there is an overpayment/underpayment of drawings in relation to the profit share as finally calculated?	
10.4.	Is interest to be paid on undrawn profits?	
10.5.	Will there be a retention for tax?	
11.	Accounts	
11.1.	Who will keep the group accounts?	
11.2.	Who will be the auditors? (There is no requirement that the accounts be audited).	
11.3.	On what basis will the accounts be prepared?	
11.4.	When and how will they be agreed (bearing in mind statutory deadlines for self assessment)?	
11.5.	If a business, where and when will the firm's books be open for inspection?	

12.	Banking	
12.1.	Who will be the group's bankers?	
12.2.	Who will have authority to operate bank accounts and at what levels?	
12.3.	How many authorised signatories will there be? (Consider the effect of absence due to holiday etc).	
13.	Insurance	
13.1.	What insurance policies should be taken out and at what level? Consider: insuring horses; health insurance; public liability insurance; employer's liability insurance; vets fees, tack, death of a horse or its loss of use and reduction in value.	
13.2.	Are there assets which are owned by a specific partner but used by the group which the partnership is to insure for the benefit of the owner?	
13.3.	Check that the parties have agreed who is to benefit from the various policies of insurance.	
13.4.	Does the insurance policy adequately cover competitions abroad and increased value of successful horses?	
14.	Management of the Group	
14.1.	Who is nominated as group manager and who is his/her deputy?	
14.2.	How will he/she be appointed and for how long?	
14.3.	Can he/she be removed? How can he/she retire?	
14.4.	What specific powers and duties will he/she have?	
14.5.	Will specific responsibilities be devolved to specific members?	

14.6.	How can new members be introduced?	
15.	Decision-making	
15.1.	On what basis will decisions be made, for example, a simple majority vote and/or a special majority for specific issues?	
15.2.	Are there certain matters which will require unanimous agreement, for example, the introduction of a new group member or altering the shares or costs ratios?	
15.3.	Will consent to appoint riders and sell horses be required to be in writing?	
15.4.	Are there any decisions on which a member will not be entitled to vote? For example, decisions where a member has a conflicting interest.	
15.5.	Does the appointed rider have the sole authority to plan and execute training and competition activities? If not, what activities are to be decided by the owners? How will disagreements be resolved?	
15.6.	Under what circumstances can the owner move the horse to an alternative rider? What period of notice is required?	
16.	Meetings	
16.1.	When, how and how often will meetings be called?	
16.2.	What is the quorum for meetings?	
16.3.	Can they be requisitioned?	
16.4.	What will be the requirements for the circulation of agendas and minutes?	
16.5.	What will the voting procedures be?	

17.	Outgoing members	
17.1.1.	On what notice and according to what procedure can a member voluntarily retire from the group?	
17.1.2.	Compulsory/automatic - will retiring member be required to pay for the admin costs of retiring (e.g. registration forms, passports, etc.)	
17.2.	Suspension	
17.2.1.	Will the group be entitled to suspend a member? If so, in what circumstances and using what procedure?	
17.2.2.	Will they continue to receive a profit share during the suspension?	
17.3.	Expulsion	
17.3.1.	Will the group be entitled to expel a member?	
17.3.2.	If so, on what grounds, for example, debt to the group, bankruptcy, mental incapacity, breach of agreement?	
17.3.3.	What procedure will be used to effect expulsion, for example, in terms of voting, what majority will be required, will the person who is the subject of the vote be included? Will expulsion be effective immediately or on expiry of a specific notice period?	
17.3.4.	Will the group also be able to expel a member on the basis of a unanimous vote if there are no specific grounds for expulsion?	
17.3.5.	How will the costs owed by the expelled member be dealt with?	
17.3.6.	What notice should be given to a rider that a partner is leaving?	

17.4.	Outgoing member's share	
17.4.1.	How and when will payments to the outgoing member be calculated?	
17.4.2.	Will accounts be prepared as at the date of leaving?	
17.4.3.	Will the basis of the calculation be the same whether the outgoing member is expelled or retires?	
17.4.4.	Will provision for re-valuation of horses be included?	
17.4.5.	How will repayment of capital be financed?	
17.4.6.	How and when will repayment of capital be made?	
17.4.7.	How and when will the outgoing member's entitlement to profits be calculated and paid?	
17.4.8.	Will the outgoing member be entitled to a payment in respect of goodwill? (if a business only)	
17.4.9.	Will the outgoing member give or receive an indemnity?	
18.	Dissolution and winding up	
18.1.	In what circumstances can the group be dissolved? Must there be unanimous agreement or will the agreement expire at the end of a fixed term? Will the death or bankruptcy of a member force dissolution or will the Court order the partnership to be dissolved?	
18.2.	If the group is dissolved what arrangements will be put in place of maintain the welfare and well-being of the horses?	
19.	Dispute Resolution	

19.1.	Will the members appoint their own expert to resolve disputes? If so, who and on what basis?	
20.	Other provisions	
20.1.	Confidentiality: What information is to be kept confidential?	
20.2.	How will awards, trophies and prizes be shared?	
21.	Changes to the Owners and Shares	
21.1.	Can ownership or Horses be transferred, and if so, what are the terms and conditions of a transfer?	
21.2.	What are the arrangements for admitting new members?	
21.3.	How much must they contribute as cash and as capital?	
21.4.	Can they buy out all or part of the share of an existing member?	
21.5.	Must a departing member offer his share to the continuing members?	
21.6.	Can he/she sell to someone else, thereby bringing someone new into the syndicate?	
21.7.	What happens to a member's interest if they die, become incapacitated, file for bankruptcy, or divorce a spouse with a shared ownership of the interest?	
21.8.	Can members force the termination of the arrangement before its intended expiry date and, if so, how?	
21.9.	How are changes to the agreement or disputes to be dealt with? Do members want to agree to mandatory arbitration so that any disputes have to be resolved by arbitration and stay out of the court	

	system?	
21.10.	Should there be the ability to force a member to sell their share if there is a breach of the agreement?	
22.	Management	
22.1.	What information should members receive, from who and how?	
22.2.	Are there any specific issues such as security or anonymity to be considered?	
23.	The Horses	
23.1.	Who shall be responsible for the horse while not under the direct control of the rider?	
23.2.	Who becomes liable in the event of damages or accidents caused by the horse or rider?	
23.3.	What happens to the agreement if the horse is injured and is put down or dies as a result of its injuries?	
23.4.	What happens to the agreement if the horse is injured, but not euthanased, and is no longer suitable for its intended purpose?	
23.5.	Who retains possession of any money, grants, merchandise, products, trophies, discounts, or other awards or prizes resulting from the horses' competitions? Can it be a lottery, an auction or first come basis?	
23.6.	Will there be sponsorship sought for the horse and, if so, who will organise this? Who will benefit?	
23.7.	What will owners be entitled to at events (for example car passes, entry badges, hospitality, invitations, stable passes, names in programme)?	

23.8.	Is any personal use of the horse allowed? When?	
23.9.	Who else such as grooms, family or prospective purchasers may ride the horse?	
24.	Miscellaneous	
24.1.	The group manager shall be responsible for and register as a data controller for data protection purposes.	
24.2.	Anything else?	

Issues specific to British Eventing:

Miscellaneous		
1.	Please provide affiliated membership numbers for each party	
2.		
3.		