

5 July 2017

TRAINER AND OWNER REFORMS (TOR) MANAGING OWNER OBLIGATIONS

Dear Managing Owner

As you would be aware from recent communications, the TOR is set to commence on 1 August 2017.

The TOR introduces new rights and obligations for trainers and owners to better govern relationships between them and efficiently resolve disputes that may arise. Further, managing owners will now assume greater responsibilities in dealing with others on behalf of the ownership of a horse.

In light of this, we believe it will assist you in your role as a managing owner to be aware of the following key rights and obligations under the TOR Rules, Standard Training Agreement (STA) and Co-owner Agreement (COA) which are relevant to you.

Role of the managing owner

You are required to:

- Manage the ownership for the benefit of all co-owners (at no cost to the co-owners unless otherwise agreed by unanimous consent).
- Use reasonable endeavours to properly manage the ownership.
- Use reasonable endeavours to ensure that the trainer complies with his/her reporting obligations set out in the STA (as applicable).
- Make decisions in the best interests of the co-owners as a whole.
- Comply with your obligations under the TOR Rules, i.e. in respect of fees notices (see below).
- Ensure that no funds provided by the co-owners in respect of the ownership are applied other than for the purpose of the ownership.

Powers of the managing owner

- You can only make decisions/carry out actions in respect of the matters set out in clause 3.6 of the COA with majority consent (over 50%).
- You can only make decisions/carry out actions in respect of the matters set out in clause 3.7 of the COA with special consent (at least 75%).
- You can only make decisions/carry out actions to (i) make co-owners jointly and severally liable in respect of obligations in connection with the ownership; and (ii) borrow funds for the purpose of the ownership, with unanimous consent (100%).
- You can only make a decision euthanise the horse on animal welfare grounds upon receiving the advice of a qualified veterinary surgeon.

- Provided you comply with your obligations set out above, and only make decisions/carry out actions with the necessary % consent of the co-owners (where required), you can make all other decisions reasonably required for the purpose of managing the ownership as the managing owner as you see fit in your discretion.
- You may call a meeting of the co-owners to obtain any necessary approvals. You must provide reasonable notice to all co-owners in this regard.
- You have the right to retain possession of any shared property of the co-owners on behalf of the co-owners.
- You must fulfil the duties of the managing owner in respect of the sale/transfer of an interest in the horse by a co-owner, as set out in clause 4 of the COA.
- You must fulfil the duties of the managing owner in respect of any disputes between co-owners, as set out in clause 5 of the COA.

Fees notice

- Upon receipt of a fees notice from the trainer, you must provide a copy of it to each co-owner within 5 days in order to obtain their agreement or objection to it.
- If the co-owners have any objections to the fees notice, you should make these known to the trainer within 14 days of receiving it from the trainer. If you do not object within the 14 days, the basis for providing training services set out in the fees notice will be deemed to apply to the co-owners.

Joint and several liability

- As stated above, you can only make decisions/carry out actions to make co-owners jointly and severally liable in respect of obligations in connection with the ownership with unanimous consent.
- Accordingly, in order for you to validly agree (on behalf of the co-owners) with a trainer to vary the terms of the STA so that co-owners are bound jointly and severally in respect of training fees and disbursements (as opposed to being severally liable as per the STA's terms), the co-owners will first need to provide their unanimous consent.

We recommend that you familiarise yourself with the TOR and your specific rights and obligations under it prior to its commencement on 1 August 2017.

More information can be found at www.racingaustralia.horse or by calling 1800 138 704 9am – 5pm Monday – Friday. We also welcome your questions on any aspect of the TOR and will answer them as soon as practicable.

Thank you for your cooperation as we implement these important reforms.

Yours sincerely
Racing Australia