



BLOODSTOCK SYNDICATION CODE OF PRACTICE

(made by the Board pursuant to Rule 432 of the New Zealand Rules of Racing)

1 DEFINITIONS AND INTERPRETATION

1.1 In this Code of Practice the following words and expressions shall have the following meanings:

“Advertisement” means any form of communication made to the public or a section of the public for the purpose of promoting an Offer or intended Offer of Shares.

“Applicant” means a person who applies for a Share.

“Associated Person” has the meaning set out in section 12 of the Financial Markets Conduct Act 2013.

“Authorised Syndicator Status” means that a person has been authorised under this Code of Practice to offer Shares to the public or that a Bloodstock Company has been authorised under this Code of Practice to offer and issue its Shares to the public.

“Balance Date” has the meaning set out in Sections 40 to 43 of the Financial Reporting Act 2013.

“Bloodstock” means thoroughbred bloodstock or interests in thoroughbred bloodstock.

“Bloodstock Company” means a company which has been granted Authorised Syndicator Status under this Code of Practice.

“Bloodstock Reporting Entity” means each Bloodstock Company and Bloodstock Syndicate (other than a Bloodstock Syndicate which meets the criteria set out in clause 6.4).

“Bloodstock Syndicate” means a partnership, limited partnership, joint venture, co-ownership arrangement or other body of persons formed or to be formed for the purposes of owning, racing or breeding bloodstock.

“Board” means the board for the time being of New Zealand Thoroughbred Racing Inc.

“Chief Executive” means the Chief Executive of New Zealand Thoroughbred Racing Inc.

“Code of Practice” means this Code of Practice.

“Compliance Agreement” means a written agreement in the prescribed form under which a Promoter agrees with the Board to comply with and be bound by the provisions of this Code of Practice.

“Disclosure Statement” means a written statement that meets the criteria set out at clause 4.2 of this Code of Practice and includes any replacement of or addendum to any such written statement required under clause 4.3.

“Financial Statements” has the meaning set out in section 6 of the Financial Reporting Act 2013, provided that, if there is no applicable financial reporting standard or no applicable non-GAAP standard, then it means statements that meet financial reporting requirements prescribed by the Board.

“Generally Accepted Accounting Practice” (“GAAP”) means the accounting principles and practices which are generally accepted in New Zealand and comply with the laws of New Zealand.

“Governing Document” means in relation to a Bloodstock Syndicate, a syndicate agreement, a partnership agreement, a co-ownership or joint venture agreement, a limited partnership agreement or other document governing the relationship between and the interests of the Participants, Promoter and Manager.

“Issue” means the issue or transfer of Shares pursuant to an Offer.

“Manager” means in relation to a Bloodstock Syndicate the person controlling the management and administration of the affairs of the Bloodstock Syndicate and includes the Promoter.

“Offer” means an offer of Shares in a Bloodstock Syndicate or Bloodstock Company to the public under this Code of Practice.

“Participant” means the owner of a Share in a Bloodstock Syndicate.

“Promoter” means a person with Authorised Syndicator Status who offers Shares to the public under this Code of practice and includes a Bloodstock Company which Offers and Issues its Shares to the public pursuant to this Code of Practice.

“Qualified Auditor” has the meaning set out in section 36 Financial Reporting Act 2013.

“Share” means in relation to a Bloodstock Syndicate an interest in the Bloodstock Syndicate and in relation to Bloodstock Company means a share in the company.

“Shareholder” means the owner of a Share in Bloodstock Company.

“Supervisory Panel” means a supervisory panel established under clause 11.1 of this Code of Practice.

“Valuer” or **“Bloodstock Valuer”** means a bloodstock valuer who has been entered on the Register of Bloodstock Valuers maintained by New Zealand Thoroughbred Racing Inc. in accordance with clause 9 of this Code of Practice.

“Working day” has the meaning set out in section 29 of the Interpretation Act 1999.

1.2 Interpretation

In the interpretation of this Code of Practice, unless the context otherwise requires:

- (a) All schedules form part of this Code of Practice.
- (b) Any reference to a document includes a reference to any original, a facsimile copy, a photocopy, a PDF or email image copy of the document.
- (c) Any reference to a person includes a reference to a corporation sole, a body corporate, and an unincorporated body;
- (d) Any reference to a statute or regulation includes a replacement or modification of that statute or regulation;
- (e) Anything required to be done by this Code of Practice by a Bloodstock Reporting Entity must be done by the Manager (in the case of a Bloodstock Syndicate) or the directors (in the case of a Bloodstock Company).
- (f) Anything required by this Code of Practice to be done on a day which is not a Working Day must be done, and will be valid if done, on the next succeeding working day;
- (g) Clause headings will be disregarded.
- (h) Words importing the singular shall include the plural and vice versa.
- (i) Words importing one gender shall include the other genders.

2 APPROVAL OF PROMOTERS

- 2.1 Persons wishing to obtain Authorised Syndicator Status must apply to the Board through the Chief Executive in the prescribed form. If Shares in a company are to be offered to the public under this Code of Practice, both the company and the person (if any) offering the Shares must have Authorised Syndicator Status. Each application must be accompanied by payment of the prescribed fee and a completed Compliance Agreement signed by the applicant and must otherwise meet the following requirements:
 - (a) If the applicant is an individual, all trading names under which the applicant has offered Shares in Bloodstock Syndicates or Bloodstock Companies to the public must be set out in the application.
 - (b) If the applicant is a company, it must at the time of application submit a copy of its constitution, which must include the provisions required by clause 22.2 of this Code of Practice.
- 2.2 The Chief Executive will issue a Certificate of Authorised Syndicator Status if the application is approved by the Board.

- 2.3 Authorised Syndicator Status authorises the person to whom this status has been granted to offer Shares to the public under this Code of Practice. The Board will be entitled to refuse to grant Authorised Syndicator Status upon any of the following grounds:
- (a) The person or any Associated Person of the person is disqualified under the Rules of Racing.
 - (b) The person or any Associated Person of the person has been convicted of any criminal or fraudulent act, omission or conduct.
 - (c) The person is unable to demonstrate to the satisfaction of the Board that he/she/it has the ability to meet the Board's management and client servicing requirements.
 - (d) The person, if an individual, is not aged twenty years or over.
 - (e) The person or any Associated Person of the person has, in the sole opinion of the Board, an unsatisfactory record in either bloodstock syndication or trading.
 - (f) The Board is not satisfied by the production of written evidence acceptable to it that the person is financially sound and of good character.
 - (g) If the applicant is a company, the Board is not satisfied in its opinion that the company's principal activity is, or will be, the ownership, management, breeding or racing of Bloodstock.

2.4 A Person whose application is declined may appeal to the Supervisory Panel. (See clause 11)

2.5 A person with Authorised Syndicator Status must notify the Board through the Chief Executive of any trading names under which that person intends to offer Shares to the public.

3 DISCLOSURE OF AUTHORISED SYNDICATOR STATUS ON PROMOTIONAL AND ADVERTISING MATERIAL

3.1 Persons who have Authorised Syndicator Status must include in every Advertisement issued or distributed by them in printed form or on or through a website the following statement:

"[insert the name of the relevant Promoter/Bloodstock Company] is a person with Authorised Syndicator Status under a Code of Practice administered by New Zealand Thoroughbred Racing Inc for regulating thoroughbred syndications. Details of the Offer are contained in the Disclosure Statement relating to the Offer."

The statement must then say where or how the Disclosure Statement may be obtained.

In the case of broadcast and digital Advertisements Promoters are required to consult with the Chief Executive on the form and placement of this statement in Advertisements of this nature.

3.2 Each Disclosure Statement must include the following statement:

"[insert the name of the relevant Promoter/Bloodstock Company]" is a person with Authorised Syndicator Status under a Code of Practice administered by New Zealand Thoroughbred Racing Inc. New Zealand Thoroughbred Racing Inc. does not endorse nor does it guarantee the success or otherwise of the offer made under this Disclosure Statement and accepts no responsibility whatsoever for any statements or representations made in this Disclosure Statement or for any loss or liability arising from participation in the offer.

4 ISSUE OF SHARES AND DISCLOSURE STATEMENTS

4.1 No Share may be Issued to an Applicant and no money received from an Applicant is to be disbursed in payment of costs of the Bloodstock Syndicate or the Bloodstock Company until the following conditions have been satisfied:

- (a) The Promoter delivers to the Chief Executive a Disclosure Statement in the form set out in the Schedule hereto and that otherwise contains the information prescribed under this Code of Practice. The Disclosure Statement must be fully and correctly completed for each Offer; and
- (b) The Board does not give the Promoter a requisition notice to replace, amend or correct any matter contained or attached to the Disclosure statement within 14 working days from the date of delivery to the Chief Executive; and

- (c) The Promoter has obtained from all Applicants to whom a Share is to be Issued a signed acknowledgment of receipt and understanding of the Disclosure Statement, and of any addendum to the Disclosure Statement if one was required (refer clause 4.3).
- (d) The minimum level of subscription (if any) set out in the Disclosure Statement has been received unless the Disclosure Statement states that the Offer is underwritten by the Promoter (i.e. the Promoter has agreed to take up all Shares in respect of which no applications are received).
- (e) If a signed acknowledgement of receipt and understanding of the Disclosure Statement, (and any addendum to it) has not been received from an Applicant all monies received from that Applicant must have been refunded to that Applicant.

4.2 A Disclosure Statement is required to meet the following criteria:

- (a) It must contain all of the information and statements required by this Code of Practice including all of the applicable information required by the form of disclosure statement set out in the Schedule; and
- (b) It must refer to all required valuation reports and veterinary certificates (copies of which must be provided to the Board) and it must say how copies of those reports and certificates may be obtained by Applicants; and
- (c) If the [Promoter] is seeking to raise funds under the Offer for the purchase, in the future, of Bloodstock for racing and/or breeding purposes, the Disclosure Statement must state that valuation reports and veterinary certificates will be obtained in respect of such Bloodstock at the time it is purchased (which reports and certificates must meet the requirements of clauses 10.1 and 10.3, respectively) and state how copies of those reports and certificates may be obtained by each Participant or Shareholder (as the case may be); and
- (d) In the case of a Bloodstock Syndicate, a copy of the Governing Document (such as a Partnership or Syndicate Agreement) must accompany the Disclosure Statement when it is sent to potential Applicants, unless it has previously been provided to the potential Applicant; and
- (e) In the case of a Bloodstock Company, it must say where or how a copy of the constitution may be obtained; and
- (f) It must disclose the nature of:
 - (i) all commissions, fees or rebates and other benefits (e.g. insurance commissions or commissions on the sale or purchase of Bloodstock) that have been or may be received in the future by the Promoter or the Manager, or an Associated Person of the Promoter or Manager, specifically in relation to the relevant Bloodstock Syndicate or Bloodstock Company or any of its Bloodstock; and
 - (ii) any pecuniary or material interest the Promoter or the Manager, or any Associated Person of the Promoter or Manager, has or had in any of the Bloodstock acquired or to be acquired by the relevant Bloodstock Syndicate or Bloodstock Company.
- (g) It must be signed by the Promoter and where the Promoter is a corporate entity by at least one of its directors.

4.3 Each Disclosure Statement must be approved by the Board, which must not grant its approval unless it is satisfied that:

- (a) The Disclosure Statement contains all of the information and statements required under this Code of Practice (including all of the applicable information required by the form of disclosure statement set out in the Schedule); and
- (b) There is no reason to suspect that any of the information provided in or accompanying the Disclosure Statement is incorrect; and
- (c) The Promoter's performance in prior syndications or Offers has been satisfactory; and
- (d) The fees, charges, commissions, margins over valuation are reasonable and not such that they may bring the industry into disrepute; and

- (e) The status of the Promoter has not materially changed in terms of the criteria for the approval of Authorised Syndicator Status since the Promoter was granted Authorised Syndicator Status or the last syndication or Offer by the Promoter.

4.4 If a Disclosure Statement is not approved by the Board, it may be replaced and resubmitted to the Chief Executive or if approved by the Board an addendum to the Disclosure Statement may be utilised to rectify any requisition of the Board made pursuant to clause 4.1 (b) of this Code of Practice.

5 ADVERTISING

- 5.1 Advertisements must not be misleading or factually incorrect or be likely to bring the thoroughbred industry into disrepute and must otherwise comply with the requirements of the “fair dealing” provisions in Part 2 of the Financial Markets Conduct Act 2013 (which prohibit misleading or deceptive conduct, the making of false or misleading representations and the making of unsubstantiated representations) as if Shares were “financial products” within the meaning of that Act.
- 5.2 A Promoter must notify the Chief Executive of the proposed advertising of an Offer and the intended publications in which Advertisements for the Offer will appear.
- 5.3 Each Advertisement must comply with clause 3.1 and state clearly that applications for Shares can only be made after an Applicant has received and signed a Disclosure Statement. In addition, each Advertisement must state the name of the Promoter.
- 5.4 A Promoter may submit an Advertisement to the Board through the Chief Executive for review prior to its publication, broadcast or distribution.
- 5.5 If an Advertisement is considered or observed by the Board to not comply with this Code of Practice the Board may require the Advertisement to be amended or, if already published or distributed, to be withdrawn from publication or distribution and require the Promoter to notify all Applicants under the Offer of the matters in respect of which the published Advertisement was non-compliant and such other information which the Board considers is required to remedy the deficiency.
- 5.6 The notice referred in clause 5.5 must be approved by the Board and no Shares may be Issued under the Offer until the notice has been provided to all Applicants.

6 BANK ACCOUNT / FINANCIAL DEALINGS

- 6.1 The directors must establish a separate bank account for a Bloodstock Company. All moneys received by the Bloodstock Company must immediately be deposited into that bank account by the Promoter.
- 6.2 Subject to Clause 6.4, a Promoter must establish a separate bank account or trust bank account for each Bloodstock Syndicate. All moneys received by the Promoter in respect of a Bloodstock Syndicate must immediately be deposited into that bank account by the Promoter.
- 6.3 All monies received from an Applicant are to be held in trust pending the Issue of Shares to that Applicant or the refund of those monies to that Applicant under clause 4.1 (e) or 7.2.
- 6.4 A Promoter is not required to comply with Clause 6.2 so long as the Bloodstock Syndicate meets the following criteria:
 - (a) The Participants are each holders of an interest in Bloodstock, whether as an owner or as a lessee; and
 - (b) The Bloodstock Syndicate is a joint venture or co-ownership arrangement and not a partnership, a limited partnership or an unincorporated body of persons which at law has a financial reporting obligation (as a body); and
 - (c) The Participants are each invoiced by the Promoter or the vendor for the initial cost of their respective interest in the Bloodstock and the Participants are each periodically invoiced by the Promoter or the relevant suppliers or service providers for their respective proportion of the on-going costs and expenses incurred in relation to the Bloodstock, and the Participant is required to pay those costs and expenses in accordance with each such invoice; and

- (d) The Promoter and any Associated Person of the Promoter must, on written request of either a Participant or the Chief Executive, provide supporting invoices or other evidence for costs invoiced in accordance with 6.4(c); and
- (e) Unless the Governing Document provides otherwise, stake winnings, prize money or bonus payments received in excess of current invoicing period costs less any arrears owing are disbursed to individual Participants rather than retained to meet future costs; and
- (f) The Offer is fully underwritten by the Promoter.

6.5 All financial transactions by or on behalf of a Bloodstock Syndicate or a Bloodstock Company must be made through a bank account.

7 TIME LIMIT FOR ISSUE OF SHARES

7.1 Shares must be Issued under an Offer within eight months of the date of the Disclosure Statement or any replacement Disclosure Statement for the Offer.

7.2 A Promoter who fails to Issue Shares within the period specified in clause 7.1, (for example if the Offer is not underwritten by the Promoter and the minimum level of subscription is not raised or for some other reason) must immediately refund all money received from Applicants in full.

8 POWERS OF SUSPENSION OR CANCELLATION OF AUTHORISED SYNDICATOR STATUS AND POWERS OF ENFORCEMENT

8.1 If in the opinion of the Board any of the grounds set out in clause 2.3 arises or applies in respect of a Promoter (a **Relevant Event**) or a Promoter is in breach of or in default under the Code of Practice, it may:

- (a) require the Promoter to remedy the circumstances giving rise to the Relevant Event, or the breach or default, (if the circumstances, or the breach or default, are capable of remedy) within 7 days and if those circumstances, or the breach or default, are not remedied within that time, suspend or cancel the Authorised Syndicator Status of the Promoter; or
- (b) immediately suspend or cancel the Authorised Syndicator Status of the Promoter; or
- (c) exercise all or any of the following powers in relation to any Bloodstock Company, Bloodstock Syndicate or Offer:
 - (i) suspend or order the cessation of any Offer;
 - (ii) immediately suspend or order the withdrawal of any Advertisement relating to an Offer;
 - (iii) remove, or require the Promoter to remove, a Manager or the Directors of a Bloodstock Company and if necessary either require the Promoter to appoint a new Manager or Directors or itself appoint a new Manager or new Directors;
 - (iv) order the Promoter to make refunds to Applicants or Participants or Shareholders;
 - (v) require an audit (at the expense of the Promoter) by a Qualified Auditor of the financial accounts of the Promoter or of a Bloodstock Syndicate or Bloodstock Company ;
 - (vi) appoint a suitably qualified and/or experienced person (at the expense of the Promoter) to investigate the affairs of the Promoter or of a Bloodstock Syndicate or Bloodstock Company.

8.2 The Board may suspend or cancel the Authorised Syndicator Status of a Promoter if no Disclosure Statements for that Promoter have been approved by the Board within the previous 36 months. In that case suspension or cancellation takes effect 28 days after written advice of this intention from the Board to the Promoter, and if no valid objection is delivered to the Board by the Promoter within that period. The Promoter may request the reinstatement of their Authorised Syndicator Status without fees or charges. The Board may in its discretion treat the application for reinstatement as a new approval under clause 2.1.

9 REGISTER OF BLOODSTOCK VALUERS

- 9.1 New Zealand Thoroughbred Racing Inc. will maintain a Register of Bloodstock Valuers. Bloodstock Valuers may be entered on the Register either upon the nomination of the Bloodstock Agents' Federation NZ Inc. or following receipt of an application from a Bloodstock Valuer which is approved by the Board in its discretion.
- 9.2 The Board is entitled to reject any nomination or application under clause 9.1 if it is not satisfied that:
- (a) The Valuer is of good standing and/or character; or
 - (b) The Valuer is sufficiently experienced in equine practice; or
 - (c) The Valuer is sufficiently competent in the field in respect of which he or she is certifying - i.e. racing or breeding.
- 9.3 The Board is entitled to remove a Bloodstock Valuer from the Register if in its opinion:
- (a) The Valuer is insufficiently competent in the field in which he/she is certifying under this Code of Practice;
 - (b) The Valuer has acted in an improper or unprofessional manner whether in respect of valuations under this Code of Practice or otherwise in his/her business or has breached any of the provisions of this Code of Practice; or
 - (c) The Valuer has charged or is charging excessive fees.

10 VALUATIONS AND VETERINARY REPORTS

- 10.1 Subject to clauses 10.2 and 10.4, for each Disclosure Statement the Board must be provided with two valuation reports in the prescribed form from Bloodstock Valuers who are, at the date of their respective reports, entered in the Register of Bloodstock Valuers established under this Code of Practice and are not an Associated Person of the Promoter.
- 10.2 Valuation reports are not required to be provided to the Board in respect of Bloodstock that are or are to be leased by the Bloodstock Syndicate or Bloodstock Company, whether or not there is a right of purchase (clause 22.5 refers).
- 10.3 Subject to clause 10.4, for each Disclosure Statement the Board must be provided with a veterinary report from a veterinary surgeon who meets the following criteria:
- (a) The veterinary surgeon must hold a current annual practising certificate issued by the Veterinary Council of New Zealand; and
 - (b) The veterinary surgeon must be experienced in equine practice; and
 - (c) The veterinary surgeon must spend the majority of his or her professional time in equine practice; and
 - (d) The veterinary surgeon must be competent in the field in respect of which he or she is certifying - i.e. racing or breeding.
- 10.4 In the case of an Offer that is seeking to raise funds for the purchase, in the future, of Bloodstock for racing and/or breeding purposes, the relevant Bloodstock Syndicate or Bloodstock Company must, whenever any Bloodstock is purchased by it, obtain as soon as is practicable after such Bloodstock has been purchased, valuation reports and veterinary certificates in respect of that Bloodstock, which reports and certificates must meet the requirements of clauses 10.1 and 10.3, respectively.
- 10.5 Each Disclosure Statement must say where or how copies of the valuation reports (if any) and the veterinary reports may be obtained.
- 10.6 Where Bloodstock is purchased from countries outside New Zealand, the following criteria apply in respect of valuation and veterinary reports:
- (a) In the case of Bloodstock purchased in Australia, the Promoter must use bloodstock valuers and veterinary surgeons that have been approved under the New South Wales or equivalent system of syndication or New Zealand bloodstock valuers and veterinary surgeons.

- (b) In the case of Bloodstock purchased from any other country, the Promoter must use reputable bloodstock valuers and veterinary surgeons that are recognised as such by the principal racing authority in that country or the state in which the bloodstock is located. The Board may suspend an Offer or the Issue of Shares under it if it believes that either the bloodstock valuers or the veterinary surgeons used are not competent in the area in which they are certifying.

11 SUPERVISORY PANEL

- 11.1 A Supervisory Panel consisting of three persons will be appointed and established by the Board. At least one member of the Panel will be admitted as a barrister and solicitor who will act as Chairman.
- 11.2 The duties of the Supervisory Panel are as follows:
 - (a) To call periodic meetings of representatives of New Zealand Thoroughbred Racing Inc., Promoters, Bloodstock Agents' Federation NZ Inc. and other interested parties to review the operation of the Code of Practice and to consult with any other interested parties.
 - (b) To act on recommendations from such meetings and to request New Zealand Thoroughbred Racing Inc. to take appropriate action where it deems it necessary.
 - (c) To report to the Financial Markets Conduct Authority on the operation of the Code of Practice, known breaches and remedial action taken after the first 12 months and thereafter every year, or at any other time which the Supervisory Panel considers appropriate.
 - (d) To act as an Appeal Authority pursuant to clause 11.3 below.
- 11.3 The role of the Supervisory Panel as an Appeal Authority shall be:
 - (a) To hear and determine appeals from persons who have been declined Authorised Syndicator Status by the Board.
 - (b) To hear and determine any complaint levied against the Board in relation to the operation of the Code of Practice.
 - (c) To hear and determine complaints concerning excessive fees charged by Bloodstock Valuers and/or Veterinarians in respect of certificates issued under this Code of Practice.
 - (d) To hear and determine appeals from persons who have been refused entry on or removed from the Register of Bloodstock Valuers.
- 11.4 The following provisions shall govern appeals to be heard and determined by the Supervisory Panel:
 - (a) All appeals to the Supervisory Panel must be lodged within 30 days of the date of the decision which is being appealed against.
 - (b) The Supervisory Panel may remit the matter in question to a re-hearing by the Board or, upon hearing evidence and if necessary, any additional evidence, make such order as the Supervisory Panel thinks ought to have been made by the Board, or such other order as in its opinion may be necessary to ensure the determination on its merits of the real question at issue.
 - (c) The Supervisory Panel may in its discretion allow any party to be represented by Counsel on the hearing of any appeal and it may have Counsel present to assist the Supervisory Panel. In all other respects, the Supervisory Panel may establish its own procedures.
 - (d) It may make such order in respect of the costs and expenses of and incidental to any hearing and determination by it as it thinks fit provided however that it may not make any order that the Board pay any costs or expenses.
- 11.5 Any decision of the Supervisory Panel shall be final and conclusive as to the matter before it for hearing and determination.

12 FINANCIAL REPORTING

12.1 Financial statements must be prepared

Every Bloodstock Reporting Entity must ensure that, within 4 months after Balance Date, Financial Statements that comply with Generally Accepted Accounting Practice are completed in relation to that

Balance Date and the Financial Statements are dated and signed on behalf of the Bloodstock Reporting Entity.

12.2 Audit requirements

- (a) Subject to clause 12.2 (b), the Financial Statements of a Bloodstock Reporting Entity are not required to be audited unless it is a Bloodstock Syndicate with more than 50 Participants and more than \$2 million in capital, or a Bloodstock Company with more than 50 Shareholders and more than \$2 million in capital, as at its most recent Balance Date, in which case the Financial Statements at that Balance Date must be audited by a Qualified Auditor.
- (b) The Financial Statements of a Bloodstock Reporting Entity must also be audited by a Qualified Auditor if required by:
 - (i) the Board; or
 - (ii) the Governing Document or Constitution; or
 - (iii) a statutory audit requirement; or
 - (iv) a resolution passed or signed by Participants/Shareholders who together hold at least 50% of the Shares in the relevant Bloodstock Reporting Entity; or
 - (v) a Participant or Shareholder of the relevant Bloodstock Reporting Entity who has requested that its Financial Statements be audited at his or her own cost.
- (c) A Bloodstock Reporting Entity must provide access to the accounting records in order for any such the audit to be conducted.

12.3 Delivery of Financial Statements

Every Bloodstock Reporting Entity must ensure that, within 5 months after the Balance Date, copies of the Financial Statements that are required to be prepared under this clause 12, together with a copy of the auditor's report (if any) on those Financial Statements, are sent to the Participants or Shareholders as the case may be and, if requested by the Chief Executive, are delivered to the Board.

13 NOTIFICATION OF MEMBERS OF SYNDICATE

- 13.1 Once the conditions in clause 4.1 have been satisfied a Promoter must notify the Chief Executive of the names and addresses of the Participants or Shareholders, as the case may be, within 30 days of the Issue of Shares to them under an Offer. A copy of the page of the Disclosure Statement signed by each Participant or shareholder must be provided to the Chief Executive with that notification if it has not already been provided.
- 13.2 Changes of the Participants or Shareholders in a Bloodstock Syndicate or Bloodstock Company and their addresses must be notified to the Chief Executive within 30 days of any change occurring.

14 FAIR DEALING

All Persons whether they be a Promoter, Manager or an Associated Person of a Promoter or Manager must comply with the "fair dealing" provisions in Part 2 of the Financial Markets Conduct Act 2013 as if Shares were "financial products" within the meaning of the Act. In broad terms, Part 2 of the Financial Markets Conduct Act 2013 prohibits misleading or deceptive conduct, the making of false or misleading representations and the making of unsubstantiated representations.

15 FEES

- 15.1 A Promoter must pay the fees prescribed from time to time by the Board for the processing of an application for Authorised Syndicator Status and for the review of a Disclosure Statement.
- 15.2 All fees must be paid at the time application for Authorised Syndicator Status is made or when a Disclosure Statement is lodged for review.
- 15.3 Until fees are paid, an application for Authorised Syndicator Status will not be referred to the Board for consideration.
- 15.4 New Zealand Thoroughbred Racing Inc. is entitled to charge a Promoter interest, calculated on a daily basis on overdue fees at the rate of 5% above the base lending rate of the ANZ Banking Group (New Zealand) Limited as at the commencement of each 30-day period fees are overdue.

16 RECORDS

- 16.1 Every Promoter must ensure that complete and proper records are kept of the affairs and activities of each Bloodstock Syndicate or Bloodstock Company whose Shares were offered to the public under this Code of Practice including (but not limited to) any specific records that are required by this Code of Practice.
- 16.2 Every Promoter must on request make available to the Chief Executive all records and other information held by it or any Manager in relation to any Bloodstock Syndicate or Bloodstock Company if its Shares were offered to the public under this Code of Practice.
- 16.3 **Accounting records**
- (a) Every Bloodstock Reporting Entity must ensure that there are kept at all times accounting records that record the transactions of the Bloodstock Reporting Entity that will enable the preparation and audit, if required, of its Financial Statements.
 - (b) The accounting records required to be kept by this clause 16.3 must be kept:
 - (i) at a place that will conveniently enable the preparation, audit (if required) and inspection of the accounting records in accordance with this Code of Practice; and
 - (ii) in written form and in English or in a form or manner in which they are easily accessible and convertible into written form in English.
 - (c) Accounting records kept under this clause, or copies of them, must be retained by the Bloodstock Reporting Entity for a period of at least 7 years after the later of—
 - (i) the date the records are made; and
 - (ii) the date of completion of the transaction to which the records relate; and
 - (iii) the date required by, or that may be required by, the Tax Administration Act 1994, if applicable.
 - (d) Every Bloodstock Reporting Entity must make its accounting records available at all reasonable times for inspection without charge, by:
 - (i) The Chief Executive; and
 - (ii) Any other persons authorised or permitted by Statute or by this Code of Practice to inspect the accounting records.
 - (e) Every Promoter to which clause 6.4 applies shall keep the supporting invoices or other evidence for costs invoiced in accordance with clause 6.4(c) at a place, in a form and for the period that accounting records are required to be kept under this clause 16.3.

17 COSTS

New Zealand Thoroughbred Racing Inc. must be reimbursed by Promoters in respect of all reasonable costs and expenses incurred by it in the proper exercise of the powers set out in clause 8 of this Code of Practice.

18 MANAGEMENT

- 18.1 The Promoter or Manager of a Bloodstock Syndicate or the directors of a Bloodstock Company may, if authorised by the Bloodstock Syndicate or the Bloodstock Company, (as the case may be), delegate all or any of the management obligations relating to the Bloodstock Syndicate or Bloodstock Company. Notwithstanding any such delegation the Promoter or Manager or the directors (as the case may be) remain responsible for the performance of their management obligations in respect of the relevant Bloodstock Company or Bloodstock Syndicate.
- 18.2 The Manager of a Bloodstock Syndicate/the Directors of a Bloodstock Company must keep Participants/ Shareholders fully informed of the activities of the Bloodstock Syndicate/ Bloodstock Company, as the case may be. At no more than six monthly intervals, each Participant/ Shareholder must be provided with a written report of the activities of the Bloodstock Syndicate/Bloodstock Company however where the Bloodstock Syndicate/ Bloodstock Company has Bloodstock racing or to be raced such reports are to be issued at no more than three monthly intervals.
- 18.3 The Bloodstock of a Bloodstock Syndicate or Bloodstock Company must be managed and cared for in accordance with good industry practice.

- 18.4 The Board may remove a Manager or Promoter of a Bloodstock Syndicate or any of the Directors of a Bloodstock Company on any of the following grounds and appoint another person(s) in his/her/its/their place:
- (a) if any of the grounds set out in clause 2.3 applies or arises in respect of the Manager or Director; or
 - (b) if the Manager or Director has been convicted of a criminal offence or in its opinion defrauded or attempted to defraud any person; or
 - (c) if the Manager or Director is or becomes disqualified under the Rules of Racing or the New Zealand Rules of Harness Racing; or
 - (d) if in its opinion the Manager or Director acts or has acted in a manner which is or was contrary to the best interests of Participants or Shareholders, or is or was likely to bring the thoroughbred industry into disrepute; or
 - (e) if in its opinion the Promoter or Manager or Director fails or has failed to comply with the standards set out in clauses 12 and 16 relating to reporting, auditing or keeping of accounts and records.
- 18.5 Complaints concerning a Bloodstock Syndicate or a Bloodstock Company, may be made to the relevant Bloodstock Syndicate or Bloodstock Company, in the first instance, and if the complaint has not been resolved to the satisfaction of the complainant he or she must be advised by the Promoter or Manager or Directors as the case may be, that the complaint may be referred to the Chief Executive.

19 CONFLICT OF INTEREST

- 19.1 A Valuer or a foreign bloodstock valuer may not issue a Valuation Report for inclusion with a Disclosure Statement where the Valuer is or has been an Associated Person of the Promoter for that Offer or has or has had a pecuniary interest in any of the Bloodstock acquired or to be acquired by the relevant Bloodstock Syndicate or Bloodstock Company.
- 19.2 A veterinary surgeon may not issue a Veterinary Report for inclusion with a Disclosure Statement where the veterinary surgeon is or has been an Associated Person of the Promoter for that Offer or has or has had a pecuniary interest in any of the Bloodstock acquired or to be acquired by the relevant Bloodstock Syndicate or Bloodstock Company.
- 19.3 Every Promoter and Manager, and each of the Directors of a Bloodstock Company must not enter into arrangements that are likely to lead to a conflict between his or her personal interests and the interests of Participants or Shareholders (as the case may be), and if not previously disclosed in the Disclosure Statement, must disclose in writing to Participants or Shareholders (as the case may be) the nature of all the benefits and/or pecuniary/material interests of the type referred to in clauses 4.2 (f) (i) and (ii) that are received or arise after the date of the Disclosure Statement.

20 CONFIRMATION

Within 30 days of Issuing Shares under an Offer, a Promoter must send to each Participant or Shareholder written advice of the number of Shares held by or the percentage shareholding of the Participant or Shareholder as the case may be.

21 AMENDMENT OF CODE OF PRACTICE

This Code of Practice may, with the consent of the Financial Markets Authority, be amended from time to time by resolution of the Board.

22 SYNDICATE AGREEMENTS OR CONSTITUTION

- 22.1 Each Governing Document under which a Bloodstock Syndicate is constituted must contain a provision to the effect that the Board is entitled to remove the Manager of the Bloodstock Syndicate upon any of the grounds listed in clause 18.4 and appoint another person to act as Manager of the Bloodstock Syndicate in his/her/its place. Such provision must state that its intent is to create a benefit to New Zealand Thoroughbred Racing Inc. and the Board and is to be enforceable by either or both of them in terms of Part 2, Subpart 1 of the Contract and Commercial Law Act 2017. [Amended 1 September 2020]

- 22.2 The constitution of Bloodstock Company must contain a provision to the effect that the Board is entitled to remove the Directors or any one of them upon any of the grounds listed in clause 18.4 and to appoint another person or persons to act in their place. Such provision must state that its intent is to create a benefit to Thoroughbred Racing Inc. and the Board and is to be enforceable by either or both of them in terms of Part 2, Subpart 1 of the Contract and Commercial Law Act 2017. [Amended 1 September 2020]
- 22.3 Each Governing Document must contain a provision to the effect that there must be no amendment to the Governing Document which detracts from a Participant's rights under it or which may cause a Participant to incur costs or bear liabilities which could not have been reasonably anticipated from the Disclosure Statement, without the unanimous consent of all Participants.
- 22.4 Each Governing Document must contain a disputes resolution process.
- 22.5 If Bloodstock are leased to a Bloodstock Syndicate or a Bloodstock Company with a right of purchase, the Governing Document or constitution (in the case of a Bloodstock Company) must contain a provision to the effect that two valuation reports must accompany any recommendation to Participants or Shareholders, as the case may be, to exercise any such right of purchase. The exercise of a right of purchase must be authorised in the manner prescribed by the Governing Document or constitution (in the case of a Bloodstock Company).