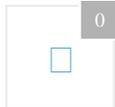
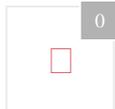
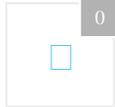
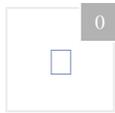




COLUMNIST ARTICLES, FEATURES, NEWS

Better Business with Malvern: The Pitfalls of Syndication

MARCH 10, 2020 by [HILLARY DOBBS](#)



Syndication – seems to be something that a lot of successful professionals utilize frequently, right? A young professional may think that is a great way to help fund a new horse. It brings people with similar passions and goals together and secures new funding, right? Unfortunately, although alluring, syndication may not be the best option. We may see it often in the racing industry and occasionally in the Olympic equestrian disciplines, but it is not for the faint of heart and rarely best option for a partnership.

I recently had the opportunity to meet with equine law attorney Avery Chapman, of the Equine Law Group, who took the time to discuss why syndications can be problematic and what some better alternatives might be.



When it comes to syndications, there are all sorts of possibilities, fraught with the danger of triggering SEC and Regulation D violations. There are a lot of reasons to not create a syndicate – probably more reasons to not create a syndicate than to create a syndicate. There are many steps that are required and that you must do to properly with the support of legal and financial professionals in order to syndicate a horse. Often times, equine professionals and their eager supporters don't deploy the proper legal and accounting resources in business structure resources to do it correctly.

If you want to successfully syndicate an animal, then that's something you really need to go see your legal and tax professionals – don't try to do it yourself. It may be tempting to recycle other people's

forms, borrow from other endeavors, but often it's not done correctly. Think of it this way – you don't do your own brain surgery, don't do your own mechanical work on your car.



A syndicate versus some other structure is still going to have the same fundamental idea that there is going to be someone who is managing the venture, the professional or the professional's organization, and then some sort of passive non-managerial investment by some members of that syndicate or of that other entity structure that you create. You start with that premise: passive and active, and active management of the folks that are deploying the horse out into the competition show world.

Depending on what the syndicate wants to agree to, or other entity if it's not a syndicate, various forms exist. Sometimes that can be cost-sharing versus sweat equity. For example, the managing person puts in all the equity of training and the other passive members pay for everything. There's another form where the manager is also a member in that they also share in the costs in some proportion, whether equally or in some proportion amongst everyone else. The winnings follow that and the sale price follows that – it depends on whatever people want to agree to. Sometimes, the manager will feed, pay for, take all the costs of the horse, but take the lion's share of the sales proceeds. But they're also taking the lion's share of the risks – the passive members are putting their investments at risk, but they'll get a smaller reward. Some passive members are only interested in being involved with being in the horse world and the return on investment is actually not as important to them as simply having access to the events, and being a VIP, and things that they find enjoyable.

You have to figure out what the purpose of the entity is that you're creating, and what the expectations of your passive folks are. Then you can decide how to share out the costs, the profits, the losses, according to what everyone's expectations are.

The important thing to keep in mind is that there are traditional business structuring entities: limited general partnerships, limited liability companies, simple joint ventures. There are a lot of possibilities and ways to create a structure of entities, including a number of ways to do it that wouldn't trigger Reg D. Oversight, particularly for the horse industry, is difficult because horse people are hard pressed to conform to every ministerial and every record keeping requirement because of the itinerant nature of the sport. In this industry, professionals are constantly moving, constantly breaking down the office, reloading the office – it's hard. People lose computers, papers, records, all of which is of key importance with a syndication.

Creating a syndication may sound like a great idea, but it's something you want to make sure to do all the research on first. Make sure to discuss your options with an experienced lawyer and accountant to find the best partnership option for everyone involved.

Hillary Dobbs offers business solutions for equestrians across the country. As a former grand prix show jumper, Dobbs is now the Assistant Vice President and Private Client Officer at Malvern Bank. The new Equestrian Business Division at Malvern Bank is able to tailor programs to individuals and businesses and prides itself on its ability to structure loans based on individual needs. Malvern Bank offers lending services for equestrian properties and equipment, a high yield money market account for equestrians and can handle client deposits, insurance and wealth management. To learn more about Malvern Bank and the Equestrian Business Division [click here](#).

Avery S. Chapman, of [Equine Law Group](#), practicing equine law nationally and internationally, is located in the heart of the Palm Beach equestrian world of Wellington, Florida. Within and without the country. He has represented innumerable members of the equestrian community, some well-known and some not so, with respect to equine law issues, providing strategies and solutions for law issues that concern horses, horse business and horse real estate. Our equine law practice includes the representation of Olympic riders, professional polo players, sponsors, trainers, owners in their equine and real estate business interests, as well as representation of a major equine sport governing organization and the largest equine veterinary clinics in the United States. From the list you see below, we have handled a diverse area of issues relating to the equine professional, owner and business in the equine industry, including fraud claims, equine contract, sales and commissions

disputes, lex sportiva (the law or sport), including FEI, USEF and AQHA disciplinary and doping violations, hearings and appeals, equine activity statutes and negligence claims, equine business entity selection, formation and transactions, equine employment issues, equine insurance coverage disputes, equine liens, officer and director liability and corporate governance both in the for-profit and non-profit sectors, agricultural property tax exemptions, tax issues involving equine businesses, veterinarian representation, zoning and land use. We work diligently with our clients to develop strategies for their needs and solutions to their equine law problem.



HILLARY DOBBS



Related News



The Gossip Girls – The Girls...



Ali Wolff Captures First Devon



Team Canada Clinches Second FEI