



CODE OF ETHICS FOR THOROUGHBRED AUCTIONS

Mission: At the behest of the Thoroughbred Owners and Breeders Association, the Sales Integrity Task Force was convened in response to an expressed desire within the Thoroughbred Industry to improve the opportunity for buyers at auction sales to feel informed, understand the various aspects of the process, and be confident they were being fairly treated. The project was specifically geared to the needs of new investors, but not designed exclusively for them. At the same time, it is recognized that the interests of consignors, breeders, agents, veterinarians, trainers, sale companies, and horses need also to be protected and that the Thoroughbred auction scene inherently involves risks for all concerned. The 22-person committee, which spent many hours over the months in developing this Code of Ethics, was made up of high-quality individuals with national and international standing in the various disciplines involved in the auction scene.

Action Plan: The Sales Integrity Task Force has created a Monitoring Committee of three individuals: Reynolds Bell, chairman; Fred Seitz; and Satish Sanan. The charge of the Monitoring Committee will be to meet at least semi-annually during 2005-06 to assess the role of the Code of Ethics in the auction market and make recommended changes as needed. The Thoroughbred Owners and Breeders Association will be in charge of implementation of the Code of Ethics and distribution of materials so that the Code has maximum value to new owners and other parties. The American Association of Equine Practitioners is asked to take a pro-active role in providing information on these and other subjects which might lead to additions or amendments to this Code of Ethics.

Article I: Disclosure of Ownership

Overview: The intent of this article is to encourage provision of knowledge about the background of a horse which a prospective buyer might wish, while at the same time recognizing and protecting the rights of both buyer and seller to privacy. At issue is the importance to some buyers to know all parties that might have an equity interest in the horse and the identity of the successful bidder after the sale.

Information Not Mandatory — The supplying of ownership information is not held to be a requirement under this Code of Ethics. However, all sale companies are requested to encourage consignors and consigning agents to reveal all information about ownership which a prospective buyer or buyer's agent might seek, both on the catalogue page and verbally. The prospective buyer has every right to ask the consignor anything relative to the horse's condition and ownership, and if such information is unsatisfactory, he/she has the recourse of deleting the horse from further consideration. Also, prospective buyers, especially those new to the industry, should be informed of the commercial products available which provide some of this information. Following the sale, the sale company will make every effort to provide to the public the most complete and accurate information on buyers and sellers possible, consistent with the above cited protections of privacy.

Exceptions — Notwithstanding the above, it is mandatory that any ownership interest in a sale horse held by a person or persons employed by or directly affiliated with the company conducting the sale be printed on the catalogue page. If an agent has an ownership interest in the horse, this must be revealed in writing in the "Agent Disclosure Agreement" described in Article III. Also, if there is a change of ownership known to the sale company while the horse is on the sale grounds, this change **MUST** be announced from the auctioneer's stand. On the subject of establishing a reserve, the Committee feels that the owner of a horse has a right to establish a reserve in any manner of his choosing, including bi-bidding.

Article II: The Role of the Agent

Overview: Individuals and companies which provide advice and/or bid on behalf of an owner are an important facet of the sale industry. Many bloodstock agents also prepare and sell horses on behalf of the horse's pre-sale owner. Thus, it is important that the varied roles of the bloodstock agent be made clear and that, when a conflict of interest exists, that conflict be openly disclosed. The Sales Integrity Task Force believes prospective buyers will be best served by entering into a written agreement, and a suggested draft of such an agreement is appended to this article. This agreement is available from the TOBA offices.

Dual Agency Without Disclosure Is Fraudulent — "Dual agency" refers to the practice of an agent accepting a commission from the buyer for purchasing/bidding on the horse on the buyer's behalf and also accepting any commission or other commercial benefit from any party involved with the selling/consigning of the same animal, without disclosing this. For many years, this infrequent, but abhorrent, practice has received publicity from time to time; the Sales Integrity Task Force emphasizes to any buyer — new or experienced — that dual agency (without disclosure to all parties) is inherently fraudulent. No agent/trainer should ask for a commission from a consignor, nor should a consignor pay a commission.

All parties should understand that acquiescence to the practice does not mitigate its fraudulence, and the Task Force implores sale companies to print prominently in all sale catalogues the relevant state statute relating to dual agency. Also fraudulent is any prearranged agreement that establishes a secret price for a horse prior to the sale, and then bidding up the price and dividing any overage between agent and consignor, in the situation where the agent also represents a potential buyer.

Agent Disclosure Agreement — The Task Force strongly urges buyers to require of agent(s) the written provisions as laid out in the accompanying Agent Disclosure Agreement. The buyer is also bound by the provisions in that agreement, so that each understands clearly his/her role and compensation.

Other Protections — Trainers and/or managers of boarding farms also are called upon to provide advice. Once a sale is consummated, however, the trainer who assisted in the selection of a racing prospect is not always guaranteed that he/she will have the opportunity to train the horse(s), and the manager who assisted in the selection of a weanling or breeding stock is not guaranteed he/she will receive assignment to board the animal(s). The Task Force stipulates that the buyer shall provide, and follow through with, agreement before the sale as to what the compensation and/or boarding/breaking/training opportunity is implicit in the business arrangement with the advisor.

Article III: The Sale Company

Education/Warning: The widest possible distribution of educational materials is integral to the success of this effort; therefore, all sale companies are urged to display prominently in the barn area of their facilities placards spelling out the key provisions of this Code of Ethics. TOBA will work with sale companies to facilitate this project. The sale companies are also requested to cooperate in all other appropriate means of distribution of information so as to promote the understanding of the various dynamics of the auction market and to protect equally the interests of all parties involved.

In any case in which a horse entered in a sale changes hands after publication of the catalogue, the sale company will make this announcement from the stand prior to the horse being sold. TOBA's role will include making relevant forms and publications readily available — via The Greatest Game program, its website, and other means — and providing other guidance to facilitate an owner's due diligence and successful participation in an auction.

INVESTOR LIST

The following industry leaders were members of the **Sales Integrity Task Force**, which disbanded in January of 2005. They met as a group several times between 2004 and 2005 to formulate what is now the Sales Integrity Program. Their goal was to assemble guidelines for North American Thoroughbred auctions to protect all parties involved with the transaction of a horse from buyer to seller. The result was the Sales Integrity Program Code of Ethics, Buyer Agreement, Veterinary Procedure Disclosure Agreement and Veterinary Dual Agency Form (all documents can be found in downloads.)

W. Cothran Campbell

Task Force Chairman

Dr. Larry Bramlage

Headley Bell

Implementation Subcommittee

Reynolds Bell, Jr.

Monitoring Committee Chairman

Boyd Browning

Implementation Subcommittee

Bill Casner

Implementation Subcommittee Chairman

Robert N. Clay

Lincoln Collins

Implementation Subcommittee

Nick deMeric

William S. Farish, Jr.

H. Greg Goodman

Reiley McDonald

Gerald McMahan

Nick Nicholson

Implementation Subcommittee

Ogden Mills Phipps

Walt Robertson

Geoffrey Russell

Satish Sanan

Monitoring Committee

Fred Seitz

E. Duncan Taylor

Implementation Subcommittee

D.G. Van Clief, Jr.

Tom Ventura

John T. Ward