

## Public Auction Sales Code of Conduct

### PREAMBLE

This Sales Code of Conduct ("Code") has been adopted pursuant to a horse industry task force involving multiple segments of the horse industry. It sets out the principles which apply to Equine Auction Sales. The Code is designed to set and maintain a high standard of integrity and transparency, which will safeguard the interest of Sellers, Consignors, bloodstock agents, owners, trainers, Purchasers and sales companies in Equine Auction Sales.

### DEFINITIONS

**Agent** means any trainer, consignor, bloodstock agent, racing or stud manager or other person or entity who represents a Principal in an Equine Auction Sale, directly or indirectly, whether the Agent is paid by way of retainer, commission or other forms of remuneration, or has ongoing financial arrangements such as training, management or similar fees.

**Principal** means a person or entity who appoints an Agent to act as agent on his behalf in an Equine Auction Sale.

**Luck Money** means any financial payment or payment in kind or delivery of anything of value (in excess of \$500) made by or on behalf of a Seller to a Purchaser or his Agent in connection with an Equine Auction Sale either before or after the Equine Auction Sale has been concluded.

**Consignor** means a person or entity acting as agent for a Seller at public auction.

**Secret Profit** means anything of value (in excess of \$500) received by an Agent in connection with an Equine Auction Sale that is not disclosed to the Agent's Principal.

**Seller** means a person or entity who sells all or any interest in a horse in an Equine Auction Sale.

**Purchaser** means a person or entity who buys all or any interest in a horse in an Equine Auction Sale.

**Equine Auction Sales(s)** means sales and purchases of horses and/or interest(s) therein at public auction sales.

**Gender** - Words importing the masculine gender herein shall include the feminine.

## CODE

1. An Agent owes a duty of good faith and a duty of loyalty to his Principal, which includes a duty to act at all times in an Equine Auction Sale in accordance with his Principal's best interests.
2. An Agent shall not place himself in a position where personal interests conflict with the duties to his Principal, except with full advance disclosure from Agent to Principal. In particular, an Agent shall not use his position to obtain a Secret Profit.
3. When an Agent acts as a Seller or intends to sell any horse in which he has an interest to a Principal, or intended principal, the Agent must disclose to his Principal, before completion of the Equine Auction Sale, the full extent of that ownership or interest and the benefit derived or to be derived by the Agent from that Equine Auction Sale.
4. If an Agent acts for more than one Principal in a transaction, which might for example be as Agent both for the Seller and Purchaser, the Agent can only do so if he has first disclosed the conflict, before completion, to all his Principals, and obtained their consent to Agent's dual agency.
5. An Agent shall notify his Principal, wherever possible in advance, when a conflict of interest may arise, such as transactions involving third parties with whom he has a retainer, transactions where he is aware he will benefit from a third party, or transaction concerning a horse which he has previously purchased or with which he has previously been involved.
6. An Agent shall disclose to his Principal and, if required by the Principal, account to his Principal for any Luck Money paid to him by or on behalf of a Seller, Consignor or Purchaser.
7. A Seller or Agent shall not offer any Secret Profit to any person whom he believes to be an Agent acting for a prospective purchaser.
8. An Agent shall not bid at public auction on any horse for which Agent knows his Principal intends to bid, or on any horse for which his Principal is a Seller, except upon full knowledge and consent of his Principal.
9. This Code shall not be deemed to enlarge or restrict application of laws that govern matters relating to parties involved in Equine Auctions Sales.

## **ENFORCEMENT**

Any alleged breach of the Code shall be settled by arbitration in accordance with the rules of the American Arbitration Association (“AAA”). A complainant of an alleged breach shall provide evidence in the form of a written statement to the sales company where the alleged breach occurred. If, after discussions among the interested parties, they are unable to resolve the alleged breach in a manner suitable to them, the complainant may initiate arbitration. Arbitration shall be held in Lexington, Kentucky. The findings and decisions of the arbitrator(s) shall be final and binding upon the parties, but shall not preclude the parties from pursuing any action for monetary damages through the legal court system. Keeneland Association and Fasig-Tipton Company, Inc. have agreed to observe the findings and sanctions of the arbitrator(s) and to ban from participation in their respective public auctions, for the period of time determined by arbitrator(s), any person found to have violated the Code. Judgment upon the decision of the arbitrator(s) may be entered by any court of competent jurisdiction. The prevailing party in the arbitration proceeding shall be entitled to recover his costs and expenses, including reasonable attorneys fees, from the non-prevailing party. In the event of a finding of an offense by the arbitrator, the sales’ companies shall post, in a conspicuous manner during the period of exclusion, the name of the party sanctioned and the sanction determined by the arbitrator.

## **SANCTIONS**

In the event a violation of the Code is found to have occurred, the following sanctions may be imposed by the arbitrator(s): (a) First offense – Exclusion from participation in sales or from sales grounds (“Exclusion”) for a period of up to two (2) years from the date of the finding; (b) Second offense – Exclusion for up to five (5) years; and (c) Third or more offense – Up to a permanent Exclusion. Exclusion periods shall be served during such times as the arbitrator(s) imposes.