

**THE OBJECT, RULES AND REGULATIONS OF THE KWAZULU-NATAL  
THOROUGHBRED BREEDER, STALLION AND OWNER PREMIUM SCHEME**

**1. OBJECT**

The object of the Scheme is to improve the quality of the Thoroughbred racehorse being bred in KZN with a view to the improvement of racing in KZN through the encouragement of ownership of high class Breeding Stock and the racing in KZN of the resulting improved KZN-Bred Horses.

**2. INTERPRETATION**

In these Rules and Regulations, unless the context clearly indicates to the contrary, each reference to:

The singular shall include a reference to the plural and vice versa; and

Any one gender shall include a reference to each of the other two genders;

Natural persons include created entities (corporate or unincorporated) and vice versa;

The headings to the clauses of these Rules and Regulations are for reference purposes only and shall not govern the interpretation;

Each term or condition of these Rules and Regulations is severable and in the event of any one or more of the terms or conditions being found to be unenforceable, then the remaining terms and conditions shall remain valid and enforceable;

If any provision and a definition is a substantive provision conferring rights or imposing obligations on any party, notwithstanding that it is only in the definition clause, effect shall be given to it as if it were a substantive provision in the body of these Rules and Regulations.

When figures are referred to in numerals and in words, if there is any conflict between the two, the words shall prevail.

**3. DEFINITIONS**

In these Rules and Regulations, unless the context clearly indicates to the contrary, words listed in the left-hand column shall have the following meanings:

Applicant	A person desiring to be considered for the grant of a Breeder or Stallion Premium.
-----------	--

Application Form

- i) for Breeder Premiums      An Application Form approved by the Board specifying, inter alia, the Stakes earned by Qualifying KZN-Bred Horses in a Qualifying Year.
- ii) for Stallion Premiums      an Application Form approved by the Board specifying, inter-alia, the Stakes earned by Qualifying KZN-Bred Horses conceived consequent upon a cover by a KZN-Based Stallion using the Stallion or Stallion Share therein owned by the Applicant KZN-Based Breeder in a Qualifying Year.
- iii) for Yearling Registrations      An Application Form approved by the Board specifying the yearlings at 1<sup>st</sup> August each year qualifying as KZN-Bred Horses.
- Board      the Board of Directors of Gold Circle (Proprietary) Limited, Registration Number 1998/024366/07
- Breeder Premium      The amount determined by the Board based upon the Stakes earned by a Qualifying KZN-Bred Horse during a Qualifying Year to be paid to the KZN-Based Breeder in terms of the Scheme.
- Breeders Club      the KwaZulu-Natal Breeders Club (Association Incorporated under Section 21), Registration Number 1999/000209/08
- Breeding Stock:
- i) Broodmare      A Thoroughbred Broodmare, registered with the NHRA, and actively at stud in KZN for the purpose of being covered by a Thoroughbred Stallion registered with the NHRA.
- ii) Stallion      A KZN-Based Thoroughbred Stallion and/or Share in a KZN-Based Thoroughbred Stallion registered with the NHRA, and actively at stud in KZN.
- Cash Cost  
(for reinvestment purposes)      The purchase price of Breeding Stock or a service by a KZN-Based Stallion, excluding interest, finance charges, VAT, freight or any other associated costs relating to such purchase.
- (for deferred reinvestment purposes)      i)      The purchase price of Thoroughbred Colts and Fillies, excluding interest, finance charges, VAT, freight or any other associated costs relating to such purchase, on registration as a KZN-Based

	Stallion or KZN-Based Broodmare and actively used at stud in KZN.
ii)	The value of Home-Bred Colts and Fillies determined in accordance with 10.12 and 10.13 on registration as a KZN-Based Stallion or KZN-Based Broodmare and actively used at stud in KZN.
ii) Home-Bred Fillies and Colts	Valued in accordance with 10.9 and 10.10 respectively, on registration as a KZN-Based Stallion or KZN-Based Mare and actively at stud in KZN
Committee	A Committee consisting of (2) two members appointed by the Board and (2) two members appointed by the Breeders Club.
Deferred Reinvestment	Thoroughbred colts and fillies purchased with the intention to be used for breeding at a later stage and Home-Bred Colts and Fillies which only become Reinvestment when such Thoroughbred colts and fillies become Breeding Stock.
i) - colts	The purchase of a colt only becomes Reinvestment when such colt is registered as a KZN-Based Stallion, and actively used at stud in KZN.
ii) - fillies	The purchase of a filly only becomes Reinvestment when such filly is registered as a KZN-Based Broodmare, and actively used at stud in KZN .
	Acceptable proof of payment, including paid invoices and supporting bank stamped cheque or statement (specifically excluding audit certificates), reflecting payment specifying the dates of the transaction and supporting the Cash Cost in respect of expenditure paid by a KZN-Based Breeder.
iii) – Home-Bred Colts and Fillies	Valued in accordance with 10.12 and 10.13
Home-Bred Colt	A Thoroughbred colt bred by a KZN-Based Breeder and whose ownership has been retained by such KZN-Based Breeder at all times prior to transferring such colt to stand at stud as a KZN-Based Stallion.
Home-Bred Filly	A Thoroughbred filly bred by a KZN-Based Breeder and whose ownership has been retained by such KZN-Based Breeder at all times prior to transferring such filly to stud for breeding purposes.

Horse (also referred to as "Stock")	A Thoroughbred Horse registered with the NHRA.
KZN	The Province of KwaZulu-Natal.
KZN-Based Breeder	The Owner of at least 1 (ONE) KZN-Based Mare or shares in such Mares which in aggregate total at least 100% of a KZN-Based Mare (and shall include a Qualifying Beneficiary) and/or KZN-Based Stallion Owner and/or Stallion shareholder, provided that such Owner is registered as a member with the Breeder's Club, both during and throughout the Qualifying Year for which a Breeder or Stallion Premium Application is being made.
KZN-Based Mare (also referred to as "Dam")	A Broodmare that remains permanently in KZN except when sent out of KZN for the sole purpose of being covered by a non KZN-Based Stallion and returns to KZN by not later than 31 March the following year and is covered by a KZN-Based Stallion in that following year.
KZN-Based Stallion (also referred to as "KZN-Based Sire")	A NHRA Registered Stallion standing at stud in KZN and actively being used at stud in KZN
Owner KZN based Stallion	Shall include a shareholder or a service right holder.
KZN-Bred Horse	<ul style="list-style-type: none"><li>i) A Horse conceived and foaled in KZN consequent upon a cover by a KZN-Based Stallion, or</li><li>ii) A Horse foaled in KZN, conceived outside of KZN if the KZN-Based Mare foals down and remains in KZN and is bred in the following season to a KZN-Based Stallion, or</li><li>iii) A Horse foaled outside KZN, conceived in KZN consequent upon a cover by a KZN-Based Stallion, provided the KZN-Based Mare and foal return to KZN by not later than 31 March the following year and the mare is covered by a KZN-Based Stallion in that following year,</li></ul> <p>PROVIDED that the Horse's Dam in i, ii and iii above is a KZN-Based Mare, and the Horse was timeously registered with the Board as a yearling or</p> <ul style="list-style-type: none"><li>iv) A Horse foaled outside of KZN but within the Republic of South Africa out of an imported pregnant mare as long as KZN has no quarantine</li></ul>

facilities, and such imported mare becomes a KZN-Based Mare and the next cover is by a KZN-Based Stallion.

KZN-Bred Yearling (also referred to as "yearling")	A yearling that is also a KZN-Bred Horse as defined countered as being one year old until the second August 1 following its birth.
NHRA	The National Horse Racing Authority.
Minor Race Stakes	The total Stakes paid in KZN in a Qualifying Year excluding Stakes paid in respect of Grade 1, 2 and 3 races.
Non KZN-Based Stallion	A Stallion not standing in KZN
Owned Fillies	A filly purchased and whose ownership is retained by a KZN-Based Breeder at all times prior to transferring such filly to stud for breeding purposes.
Owner	
i) For Breeder and Stallion Premiums:-	A person or entity Qualifying as a KZN-Based Breeder
ii) For Owner Premiums	A person or entity registered with the NHRA as the owner of a KZN-Bred Horse.
Owner Premium	The Owner Premium payable from the Owner Premium Fund in the discretion of the Committee.
Owner Premium Fund	The fund which constitutes 3% (THREE per centum) of Minor Race Stakes for a Qualifying Year and administered by the Board.
Premium Fund	The fund which constitutes 10% (TEN per centum) of Minor Race Stakes for a Qualifying Year and administered by the Board
Qualifying Beneficiary	The person or entity reflected in the Application Form for a Breeder Premium as the beneficial Owner in respect of at least 1 (ONE) KZN-Based Mare or shares in such Mares which in aggregate total at least 100% (ONE HUNDRED per centum) of a KZN-Based Mare during and throughout the Qualifying Year notwithstanding the fact that such Mare/s is/are registered in the name of another KZN-

Based Breeder. It is necessary for such person or entity to be a registered member of the Breeders Club.

**Qualifying Year** The official racing year being the twelve-month period from the 1<sup>st</sup> August to 31<sup>st</sup> July of the following year.

**Qualifying** Meeting the requirements of these Rules and Regulations.

**Reinvestment** Acceptable proof of payment, including invoices and supporting bank stamped cheque or statement and in the case of set off, an audit certificate, reflecting payment and specifying the dates of the transaction and supporting the Cash Cost in respect of expenditure paid by a KZN Based Breeder on the following :-

- i) the purchase price of Breeding Stock, or
- ii) the purchase price of a service by a KZN-Based Stallion (reflecting the covering year),

**Reinvestment Credit** The amount by which the Reinvestment at the level approved and accepted by the Board exceeds the aggregate Breeder and/or Stallion Premiums paid in respect of prior Qualifying Years.

**Reinvestment Form** The form approved by the Board reflecting expenditure spent on Reinvestment.

- Related Parties**
- i) a relative of a natural person Applicant as defined in Section 1 of the Income Tax Act ("relative"); or
  - ii) any trust in which the Applicant or relative is a beneficiary; or
  - iii) any partnership or association in which the Applicant or relative is a partner; or
  - iv) any close corporation in which the Applicant or relative is member; or
  - v) any company in which the Applicant or relative is a shareholder.

**Revised Reinvestment** Reinvestment as adjusted by the Board in terms of 11.

**Scheme** The KwaZulu-Natal Thoroughbred Breeder, Stallion and Owner Premium Scheme of the Board governed by these Rules and Regulations.

Share	
i) for Breeder Premiums	The percentage or fraction held by the Owner in a KZN-Based Mare as proven to the Boards' satisfaction and subject to the requirement that the Applicant qualifies as a KZN-Based Breeder.
ii) for Stallion Premiums	The fractional interest held by the owner of a stallion. Only foals resulting from the coverings of up to a maximum 60 (SIXTY) qualifying shares and 5 (FIVE) stud service entitlements per annum qualify their Owner for a Stallion Premium. Any additional coverings will not qualify the Owner for Stallion Premiums.
Stakes	The advertised winning and placed stakes payable to the registered Owners of successful Horses winning and placing in races within the Republic of South Africa under the Rules of NHRA excluding added Stakes paid by other bodies.
Stallion (also referred to as "Sire")	A Horse registered as a Stallion with the NHRA for the breeding season for conception of a KZN-Bred Horse.
Stallion Premium	The amount determined by the Board, based upon the Stakes earned by a Qualifying KZN-Bred Horse during a Qualifying Year, to be paid to a KZN-Based Breeder as the Owner registered with the Board of its KZN-Based Sire or the Owner of the KZN-Based Sire Share from which it was bred (note: only the Owner of the Share qualifies but another user does not).
Trainer	A licensed trainer of Horses with the NHRA
Trainer Premium	The Trainer Premium payable from the Owner Premium Fund in the discretion of the Committee.

#### 4. GENERAL PROVISIONS

The Scheme was established by agreement with the Board (annexure A) and is administered by the Committee.

The scheme is funded by 13% of all minor race stakes paid in KZN which accrue to the combined Premium Fund (10% Breeders Premium Fund and 3% Owner Premium Fund).

The responsibilities of the committee shall be:

4.1 Interpretation, administration and implementation of the rules.

4.2 Any decision made by the committee regarding the application and/or interpretation of the Rules and Regulations and/or any dispute that may arise shall be at the sole discretion of the Committee and shall be final and not subject to appeal or dispute by any other party.

4.3 In the event of a deadlock in the committee and a failure to resolve same such deadlock it shall in the case of it being : a) legal in nature be referred to the President, at the time, of the KZN Law Society whose decision or that of his duly appointed qualified assignee shall be final b) financial in nature be referred to the President, at the time, of the KZN Society of Chartered Accountants whose decision or that of his duly appointed qualified assignee shall be final.

The above arbitrators decision shall at all times have as the uppermost concern, the underlying objects of the scheme.

4.4 The Scheme and its Rules and Regulations may not be construed as conferring any rights or entitlements on an Owner or Trainer, but have been framed to serve the purpose of establishing eligibility for the consideration of Owner Premiums which are made at the sole discretion of the Committee.

4.5 The Committee shall determine, for each Qualifying Year, the percentage payable for Breeder, Stallion, Owner or Trainer Premiums. In the event of the aggregate approved Premiums exceeding its share of the Premium Fund then the percentage payable will be reduced to the extent that such deficit is eliminated. In the event of the aggregate approved Premiums be less than its share of the Fund then the percentage payable will be increased to the extent that such surplus is eliminated

4.6 To approve the funding, from time to time, of the promotion of KZN Bred horses and the achievement of the objectives of the scheme in general. Such funding to be determined by the membership of the Breeders Club and allocated from the Premium Fund.

4.7 The scheme may only be terminated by mutual consent of the Board and Breeders Club, and then only by a 75% majority of the Board and Breeders Club in independent general meetings.

The Premiums payable in respect of the Stakes earned by any one Horse in any one Qualifying Year shall each be limited to R100 000,00 (ONE HUNDRED THOUSAND RAND), or such lesser amount that the Committee in its sole discretion may determine, per premium type.



The Rules and Regulations may only be amended, varied and substituted if agreed to by a 75% majority at a general meeting of the Breeders Club and approved by the committee.

The Breeder and Stallion Premiums are intended as an incentive to KZN-Based Breeders to acquire Breeding Stock of a standard likely to contribute towards the improvement of the class of Horse being bred in KZN.

It is the Applicant's responsibility to lodge the appropriate forms with the Board and to do so within the deadlines determined by the Committee.

The date of receipt of any documentation submitted to the Board shall be the date upon which the Board receives it.

For Breeder Premiums the Committee shall not consider any person other than a registered KZN Breeder or a Qualifying Beneficiary for the payment of any Breeder Premiums.

For Stallion Premiums the Committee shall not consider any person other than the Stallion Owner and/or Shareholder and /or Service Right Holder, who shall also be a registered KZN Based Breeder, for the payment of any Stallion Premiums.

In order to qualify for Breeder and Stallion Premiums, all Applicants, including Qualifying Beneficiaries, are required to be members in good standing of the Breeders Club, including the payment of all membership dues, levies and any other imposts as may be due to the Breeders Club.

## **THE SCHEME**

The Committee endeavour to achieve its objective by paying Breeder and Stallion Premiums to Owners/Qualifying Beneficiaries of Qualifying KZN-Based Mares and Owners/Shareholders of Qualifying KZN-Based Stallions from the Premium Fund and Qualifying Owners and Qualifying Trainers of Qualifying KZN-Bred Horses from the Owner Premium Fund.

A Breeder Premium earned by a KZN-Bred Horse is payable to the Owner or Qualifying Beneficiary of a KZN-Based Mare (KZN-Based Breeder), from the Premium Fund.

A Stallion Premium earned by a KZN-Bred Horse is payable to the Owner of the KZN-Based Stallion, upon whose share such Horse was bred, from the Premium Fund.

An Owner Premium earned by a KZN-Bred Horse winning/placing in KZN is payable to the Owner or Lessee of such KZN-Bred Horse from the Owner Premium Fund.

A Trainer Premium earned by a KZN-Bred Horse winning in KZN is payable to the Trainer of such KZN-Bred Horse from the Owner Premium Fund.

## **6. REGISTRATION OF KZN-BRED YEARLINGS WITH THE BOARD**

A KZN-Based Breeder desiring to be considered for a Breeder and/or Stallion Premium, or to qualify the Owner or Trainer of a KZN-Bred Horse for an Owner or Trainer Premium shall lodge, or ensure that there is lodged:-

An Application Form approved and furnished by the Committee for Yearling Registration by no later than 30<sup>th</sup> September specifying:

the Yearlings at 1<sup>st</sup> August each year arising from the coverings specified in 8.1.1 and 9.1.1 which are KZN-Bred Horses; and

the name of the covering Sire and the Dam of the Yearling being registered; and

the name of the Sire who covered the Dam of the Yearling being registered in the year of its birth; and

the name of the Breeder or Stallion Shareholder as registered with the NHRA and, the name of the Qualifying Beneficiary of the KZN-Based Mare (should they not be the same); and

the foaling details: place and date of birth and subsequent foal movements outside of KZN; and

The date of the Mare and foal departures from and return to KZN, clearly indicating the period of residence outside of KZN.

6.1.2. Payment of the fee prescribed by the Committee per KZN-Bred Horse from time to time must be submitted with the Application Form for Yearling Registration referred to in 6.1.1.

Should the Owner of a KZN-Based Stallion or shareholder of a KZN-Based Stallion register such Yearling, acceptable proof shall be furnished to the Board that the Mare in question was KZN-Based over the required period and that the Yearling is eligible for registration as a KZN-Bred Horse.

Late registrations may be accepted up to a period of 12 (TWELVE) months after the due date, subject to a penalty payment of R1 000, 00 (ONE THOUSAND RAND) per yearling or such amount as agreed to and set by the Committee from

time to time. Where a Yearling is not registered with the Board no premiums will be paid.

**7. ANNUAL AFFIDAVITS REQUIRED FROM APPLICANTS FOR EITHER BREEDER AND/OR STALLION PREMIUMS**

An Applicant for either or both Breeder and Stallion Premiums described in 8 and 9 below shall lodge, or ensure that there is lodged, together with the forms approved by the Board, a completed Affidavit signed by or on behalf of the Applicant confirming, inter-alia, that:

the Applicant is a KZN-Based Breeder and, where applicable, a Qualifying Beneficiary is entitled to receive the Breeder's Premium; and  
the Applicant is registered as a Breeder with the NHRA; and  
the Applicant and/or Qualifying Beneficiary is the registered owner of at least one KZN-Based Mare or shares in such Mares which in aggregate total at least 1 (ONE), that is still actively being used at stud; and  
the Mare/s appearing on such attached schedule have at all relevant times been :

registered with the NHRA Stud Book in the Applicant's name; and  
Comply with the definition of KZN-Based Mare.

Any Home-Bred or Owned Filly deemed to constitute a Re-Investment in terms of 10.13 is still standing at stud and her current status, e.g. not covered, in foal, aborted etc. This information is to be disclosed for a period of 3 (THREE) years in terms of 11.2

The Affidavit(s) referred to in 7.1 must be lodged together with the Stallion and/or Breeder Application Forms and Re-Investment Schedule as described in 8, 9 and 10 below, by no later 30<sup>th</sup> September immediately following the end of a Qualifying Year.

**8. BREEDER PREMIUMS**

8.1. Any Applicant for a Breeder Premium shall lodge, or ensure that there is lodged, in a form approved by the Board :

8.1.1. an Application Form for Breeder Premiums by not later than 30<sup>th</sup> September immediately following the end of a Qualifying year, reflecting inter-alia :

8.1.1.1.details of the KZN-Bred Horse in respect of which the Breeder Premium is claimed (names of progeny, Sire and Dam);

8.1.1.2.the name of the Qualifying Beneficiary, if applicable;

8.1.1.3.KZN-Based Mare and foal departure and return dates from and to KZN;

- 8.1.1.4. The amount of Stakes earned during the Qualifying Year by each of the KZN-Bred Horses.
- 8.1.2. The affidavit(s) and Reinvestment Form referred to in 7 and 10 respectively.
- 8.2. The payment of the Breeder Premium shall be approved by the Committee.
- 8.3. To qualify for Breeder Premiums, sufficient Reinvestment needs to have been lodged to cover the extent of the claim.

## 9. **STALLION PREMIUMS**

- 9.1. An applicant for a Stallion Premium shall lodge, or ensure that there is lodged, in a form approved by the Board:
  - 9.1.1. KZN-Based Stallion Covering Schedules by not later than the date prescribed on the Covering Schedule for the Qualifying Year, reflecting inter-alia :
    - 9.1.1.1. the name of the KZN-Based Stallion and the name of the stud at which such Stallion stands; and
    - 9.1.1.2. the names of all mares and specifying those referred to in 9.1.1.3 covered during the season which commenced on the 1<sup>st</sup> August in the previous calendar year; and
    - 9.1.1.3. A list allocating a maximum of 60 rights to the stallion owners plus 5 stud service entitlements, indicating against such rights no more than 65 mares in a season. For the purposes of this provision the committee shall not consider any services in excess of 65 notwithstanding the requirements of 9.1.1.2.; and
    - 9.1.1.4. the names of the Stallion Owners excluded by definition, i.e. in excess of 65 (SIXTY FIVE) Shares in any one season;
  - 9.1.2. A copy of the Stallion syndication agreement certified as a true copy by the stud at which the Stallion stands, if not yet lodged; and if lodged, then a copy of any changes subsequent to the date of the original lodgement.
  - 9.1.3. an Application Form for Stallion Premiums by not later than 30<sup>th</sup> September immediately following the end of a Qualifying Year reflecting inter-alia :
    - 9.1.3.1. details of the KZN-Bred Horse in respect of which the Breeder Premium is claimed (names of progeny, Sire and Dam);
    - 9.1.3.2. the name of the Qualifying Beneficiary, if applicable;
    - 9.1.3.3. KZN-Based Mare and foal departure and return dates from and to KZN;

- 9.1.3.4. The amount of Stakes earned during the Qualifying Year by each of the KZN-Bred Horses.
- 9.1.4 The affidavit(s) and Reinvestment Form referred to in 7 and 10 respectively.
- 9.2. The Board may request :
  - 9.2.1. In the case of a Stallion which is syndicated, Audited Financial Statements for the Syndicate for the period or year ending not earlier than 31<sup>st</sup> December of the covering year referred to in 9.1.1.
  - 9.2.2. where no services were sold resulting in no income accruing to the Syndicate and accordingly there being no distribution of funds, a letter to be submitted by the syndicate secretary enclosing a copy of minutes of the meeting of shareholders confirming that there was no income or other benefit accruing to the Syndicate.
- 9.3. Stallion Premiums may be withheld until the Board has received all documents referred to in 9.2.1. and 9.2.2. Should such documents not be received by the relevant due dates, the Board may, in its sole discretion, declare the Applicant ineligible for the Stallion Premium.
- 9.4. Only the progeny of such mares covered in respect of the 60 (SIXTY) allocated rights and 5 (FIVE) stud service entitlements referred to in 9.1.1.3 will qualify for the Stallion Premium in respect of any season's covering.
- 9.5. For each KZN-Based Stallion qualifying its Owner or Shareholder for Stallion Premiums, such Owner or Shareholder is required to own at least 1(ONE) KZN-Based Mare in order to entitle such Owner or Shareholder to the benefit of Stallion Premiums.
- 9.6. To qualify for Stallion Premiums, sufficient Reinvestment needs to have been lodged to cover the extent of the claim.
- 9.7. Non KZN-Based Stallion coverings do not qualify for Stallion Premiums.

## 10. REINVESTMENT

- 10.1. Any Applicant for Breeder and/or Stallion Premiums shall lodge a completed and signed Reinvestment Form together with proof of Reinvestment with the Board together with the Applicants Application Forms for Breeder and/or Stallion Premiums.

- 10.2. The Committee will not recognize nor effect payment of any Breeder or Stallion Premium until it is satisfied that Reinvestment of an equivalent amount has been made.
- 10.3. Any reinvestment credit arising from a transaction involving related parties shall be subject to approval of the committee when necessary, or otherwise dealt with for valuation purposes as in 10.11.
- 10.4. Proof of Reinvestment in respect of any Qualifying Year may only be submitted during that Qualifying Year and for a period of 14 (fourteen) months thereafter (e.g. Racing Year ending 31 July 07 means the Qualifying Year ends 31 July 2008 and that Proof of Reinvestment must be submitted by 30 September 2008).
- 10.5. No late submissions of proof of Reinvestment will be entertained.
- 10.6. The onus is on the Applicant to prove compliance with the Reinvestment requirement.
- 10.7. An Applicant wishing to qualify any filly or mare as Reinvestment shall forward to the Board copies of the appropriate Stud Book receipts confirming that such filly or mare has been registered as a Broodmare for breeding purposes.
- 10.8. Any portion of a Breeder and/or Stallion Premium not matched by Reinvestment within 12 (TWELVE) months of the final date for lodging the relevant Application Forms shall lapse and likewise all unproved Reinvestment will also lapse.
- 10.9. To the extent that the amount of Reinvestment exceeds the aggregate Premiums paid in respect of prior Qualifying Years, such excess shall be carried forward as a Reinvestment Credit (known as "Cumulative Investment") to the following Qualifying Year.
- 10.10. Where the spouse and/or children of a deceased KZN-Based Breeder continue the breeding operations of the deceased any Cumulative Investment may at the Board's sole discretion be reallocated to the surviving spouse and/or children.
- 10.11. Any Home-Bred colt commencing stud duties in KZN and participating in the Scheme and being deemed to constitute Reinvestment shall have its value determined by 2 (TWO) independent valuers appointed by the Breeders Club at the expense of the Owner.
- 10.12. Any Home-Bred filly shall be deemed to have a value of R40 000, 00 (FORTY THOUSAND RAND) for Reinvestment purposes.

**11. REVISED INVESTMENT**

- 11.1. If any Horse or Share, the purchase whereof constituted Reinvestment against which a Premium was paid is sold or disposed of within 1 (ONE) year of purchase then the total Reinvestment will be disallowed.
- 11.2. If any Horse or Share referred to in 11.1 is sold or disposed of between 1 (ONE) and 3 (THREE) years of purchase, the amount of the Reinvestment allowed shall be reduced proportionate to the unexpired 3 (THREE) year period. For example if a share is sold 1 (ONE) year after its purchase, the Reinvestment allowed in respect thereof shall be revised and reduced by 2/3<sup>rd</sup> (TWO THIRDS) and after 2 (TWO) years reduced by 1/3<sup>rd</sup> (ONE-THIRD).
- 11.3. The recipient Applicant of a Breeder or Stallion Premium shall be obliged to refund to the Board so much of the Premium as is not matched by the Reinvestment relative thereto, as provided in 12.
- 11.4. An unused Reinvestment Credit in KZN-Based Stallions and KZN-Based Mares will expire after 10 (TEN) years) provided that the credit shall be deemed to have been drawn down commencing with the oldest credit first.
- 11.5. The sale or disposal of any Horse or Share is to be contained in the Annual Affidavit, in the format prescribed by the Board.

**12. REFUND**

- 12.1. The Board has the right to claim back any Breeder or Stallion Premiums paid should the facts, submission and/or documentation upon which such monies were paid be found to be incorrect or incomplete.
- 12.2. In the event of a KZN-Based Breeder not refunding any Premiums referred to in 12.1 within 30 (THIRTY) days of written request such KZN-Based Breeder shall:
  - 12.2.1. forfeit any cumulative Investment until such time as the refund is made;
  - 12.2.2. shall immediately be disqualified from receiving any further Premiums until such time as the refund is made;
  - 12.2.3. shall remain liable for the refund and may be sued for recovery of such refund by the Board, in which event the Board shall be entitled to recover any legal costs incurred on any attorney/own client basis.

**13. DECLARATION**



Any declaration by a KZN Breeder which may be found to be false or which may constitute any fraudulent act may at the sole discretion of the Board entitle the Board to take steps in terms of 12, cancel any further participation in the Scheme and/or prosecute the offender.

**14. EFFECTIVE DATE**

These Rules and Regulations are effective from 1<sup>st</sup> August 2007. For periods prior to 1<sup>st</sup> August 2007 the previous Rules and Regulations, as amended from time to time, continue to apply.