

PRODUCT DISCLOSURE STATEMENT

(P. D. S.)

For the Sale of Shares in a Racehorse

Lead Regulator Approved

HORSE: UNNAMED THOROUGHBRED

Bay or Brown Colt foaled 12/11/2009

By : ENCOSTA DE LAGO

FROM : BROWN EYED GIRL (by Sir Tristram)

**DYNAMIC SYNDICATIONS
Promoter and Syndicate Manager**

AFSL 336808

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Important notice to prospective investors

The information set out in this PDS is not and must not be regarded as advice or a recommendation or opinion in relation to the Syndicate, or that an investment in the Syndicate is suitable. This PDS does not take into account your investment objectives, financial situation and particular needs. You should, before investing, consider the appropriateness of doing so, having regard to your own objectives, financial situation or needs.

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PRODUCT DISCLOSURE STATEMENT

1. Preparation and purpose

This *Product Disclosure Statement* ("PDS") is dated **8 July 2011**. This PDS has been prepared by the Promoter in relation to the sale of Shares in the thoroughbred horse to which this PDS relates ("the Syndicate"). This PDS has been lodged with and approved by *Racing NSW*, as *Lead Regulator*. A *Form FS88 (PDS in-use notice)* in relation to this PDS has been lodged on-line with the *Australian Securities and Investments Commission* ("ASIC"). No responsibility as to the contents of this PDS is taken by either the *Lead Regulator*, ASIC, their respective officers, employees or agents. This PDS is available in both printed form and electronically in PDF format.

2. Jurisdiction

The Offer constituted by this PDS is only available to persons receiving this PDS within Australia. This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an Offer. The distribution of this PDS to jurisdictions outside Australia may be restricted and persons who come into possession of this PDS should seek advice from their professional advisers and observe any possible restrictions. A failure to comply with such restrictions may violate the applicable securities law.

3. Disclosure

This PDS has been compiled by the Promoter for presentation to prospective investors in compliance with the disclosure requirements for the public offering of shares set out in *Class Order 02/139* issued by ASIC on 15th February, 2002 ("CO 02/319").

Prospective investors should be aware that the Syndicate is relieved, by the provisions of CO 02/319, from the requirements of *Chapter 5C* of the *Corporations Act*, which would otherwise require that it be established and operated as an ASIC-registered *Managed Investment Scheme*.

4. Cooling-off

Applicants whose applications for Shares are accepted will have a right to "Cool-off" (thereby cancelling the purchase of the Share or Shares applied for) at any time during the "Cooling-off period". The Cooling-off period will commence at the end of the fifth (5th) day following the day upon which notification of acceptance of applications is forwarded to those applicants whose applications for Shares have been accepted ("the Cooling-off commencement date") and will expire at the end of the fourteenth (14th) day thereafter ("the Cooling-off expiration date"). An applicant who is a retail investor who desires to Cool-off must, during the Cooling-off period, notify the Promoter in writing (by post, facsimile or email) that the applicant has elected to Cool-off, in which event the applicant will be entitled to receive a full refund of all application monies paid to the Promoter.

5. Statement to prospective investors as to the commercial merits of the offer and recommendation regarding the seeking of advice

The commercial merits of investing in Shares offered in this PDS should be regarded as being of a speculative nature. The investment is not recommended for investors who are unable to risk the initial outlays and ongoing commitments.

Prior to entering into this investment, prospective investors should read this PDS in its entirety and are advised to consult their own or independent licensed financial or investment adviser, legal, taxation and other professional consultants (including bloodstock consultants) in assessing the potential merits of the investment.

The only information authorised by the Promoter to be provided to prospective investors is that contained in this PDS and no person is authorised to give any information or to make any representations in connection with the Offer other than the information and representations which are contained in this PDS.

6. Disclaimer

This *PDS* has been prepared to the best of the knowledge of the Promoter. In preparing this *PDS*, the Promoter has used information and opinions sourced from third parties. Those third parties do not accept any responsibility for any investment decisions or actions of investors as a result of the information and opinions provided.

In addition, neither the Promoter (nor any other party named in this *PDS*), its related bodies corporate, nor any officer, employee or representative of the Promoter, nor any bodies corporate:

- (i) gives any guarantee with respect to the future success of the Syndicate, the repayment of capital, a return on investment, or the general performance of the Syndicate; or
- (ii) is liable to compensate or reimburse any investor for any liabilities, costs or expenses incurred in connection with evaluating or making an investment decision regarding the Syndicate.

7. Key features of Syndicate

The following table is only a summary of the features of an investment in the Syndicate. You must read the whole of the *PDS* to obtain more information:

Share holdings	
Application Price per Share	\$23,950.00 (including GST) For further details see Section 10
Total number of Shares	Ten (10)
Minimum Investment	One (1) Share
Additional Investment	Not applicable
Distributions	
Frequency of net income distribution	Directly via the Lead Regulator's Stakes payment system when Prizemoney and Breeders Bonus or Incentive Scheme payments are won. Otherwise within 14 days of the end of each Accounting Period during the life of the Syndicate and on the winding up of the Syndicate; or more frequently if the amount available for distribution warrants it
Payment	By EFT directly to the Owner's nominated bank account, or cheque
Amount	Each Owner's proportionate share of the net income of the Syndicate, if any
Capital distributions	On the winding up of the Syndicate or on the earlier sale of the Horse
Fees	
Entry fee	Nil
Exit fee (on termination of Syndicate)	Nil
Fee payable to Syndicate Manager by each by Owner	\$792 including GST per Share per annum payable by each Owner by monthly instalments in advance of \$66 including GST. For further details see Section 13
Fee payable to the Syndicate Manager by the Trainer	For further details see Section 13
Additional remuneration to which the Syndicate Manager is entitled from the Owners	<ul style="list-style-type: none">• A fee equivalent to the value of 2% of Prizemoney for wins (and placings 1st to 5th in Group and listed or feature races) where prizemoney won is not less than \$12,000. This percentage will increase to 5% when the total gross value of Prizemoney, Breeder's Bonus or Incentive Scheme payments (cash component only) and Trophies won by the Horse exceeds an amount equal to the total value of the

	Shares in the Horse subject to this PDS. <ul style="list-style-type: none"> • 5% of sale price of Horse • 2 Lifetime Service Rights [only in the event of the Horse being an entire and being retired to stud]. For further details see Section 13
Other fees – Horse expenses	\$3,500 including GST per Share per annum, which equates to \$291.67 per Share per month is estimated. These costs and expenses for training, horse husbandry and care will be invoiced monthly in arrears directly to each Owner by the relevant service providers. For further details see Sections 20(c)
Cost recoveries	Pro-rata. For further details see Sections 20(c)
Insurance – initial premiums included in Application Price	For further details see Section 18
Investments	
Horse investment	The Syndicate relates to the Horse only and to no other horse
Other investments	The capital and any income will be deposited in a trust account or other designated account with a bank or other Australian authorised deposit taking institution, pending expenditure or distribution, as the case may be
Each Shareholder's entitlement to Syndicate Income	Pro rata. For further details see Section 20(b)

8. Promoter

The Promoter of the Offer the subject of this PDS is *DYNAMIC SYNDICATIONS (DEAN WATT THOROUGHBREDS PTY LTD T/AS)*, of Suite 1, 15-17 Forest Road HURSTVILLE NSW 2220. The Promoter is the holder of *Australian Financial Services Licence: AFSL 336808*.

The sole director of the Promoter is *DEAN WARREN WATT*. Mr Watt has more than 30 years experience in the syndication and management of thoroughbred horses.

9. Issue

DYNAMIC SYNDICATIONS (DEAN WATT THOROUGHBREDS PTY LTD T/AS) (ABN64 134 481 539) is the owner of the currently **UNNAMED THOROUGHBRED Bay or Brown Colt FOALED 12/11/2009 BY ENCOSTA DE LAGO FROM BROWN EYED GIRL BY SIR TRISTRAM** and the seller of the Shares the subject of this PDS ("the Offeror").

The ownership of the Horse is being syndicated by the Offeror into Ten (10) Shares

Seven (7) of those Shares are being offered for sale under this PDS, with the remaining Three (3) Shares to be issued to the original Owner Gerry Harvey, representing his retained ownership interest in the Horse. Mr Harvey will be invoiced separately by service providers for his proportion of expenses and will not be charged a management fee by Dynamic Syndications.

The Syndicate will be known as the *"DYNAMIC SYNDICATIONS [INSERT REGISTERED NAME OF HORSE WHEN AVAILABLE] RACING SYNDICATE"*. It is contemplated that the Owners of Shares will obtain the benefit of Horse from racing, under the terms and conditions of the *Syndicate Deed* and the *Australian Rules of Racing*, a copy of which can be obtained by request from either the *Lead Regulator* or the *Australian Racing Board*.

The Syndicate will commence on the *Commencement Date* specified in Schedule 1 of the *Syndicate Deed* and will operate until the *Termination Date* (to be determined in accordance with the provisions of clause 19 of the *Syndicate Deed*).

Prospective investors should read the *Syndicate Deed*, as each Owner of a Share will be bound by its terms.

10. Application Price

The Offeror proposes to offer Shares to prospective investors at the Application Price per Share of **\$23,950.00** (inclusive of GST), calculated as follows:

Base Sale Price of Horse, excluding GST	\$150,000	
Total Syndicate Establishment Costs	\$67,455	
GST (rounded)	\$21,745	
Registration fees payable to Racing NSW	\$300	
Application Price per Share payable upon application		\$23,950

A full breakdown of Syndicate establishment costs, including the margin being charged by the Offeror, is set out in the *Application Price Calculation Sheet* annexed to this *PDS*.

11. How to invest

All Applications for Shares must be made on the enclosed Application Form. Shares will not be issued on the basis of this Application after the Offer closing date. This Application Form includes details of how to invest.

The Promoter will hold all application monies in a separate trust account, or other designated account, with a bank or other Australian authorised deposit taking institution, until the Offer closing date. All application monies received with Applications for Shares which are not accepted by the Promoter will be returned to investors. Any interest earned will be paid on the refunds.

This *PDS* will expire 6 months from the date hereof, or such earlier date as may be determined by the Promoter ("Offer closing date"). The Promoter reserves the right to close the Offer at any time without notice.

In the event this Offer is not fully subscribed by the Offer closing date, the Offer will lapse and all monies received by the Promoter for the purchase of Shares will be refunded, together with any interest earned.

12. Title

The Offeror purchased the Horse, being **Lot 173**, from vendor **VINERY STUD (as Agent for Gerry Harvey)**, at the **2011 William Inglis EASTER Yearling Sale conducted by William Inglis & Son Limited (ABN 75 000 0110307) at Young St., RANDWICK, NSW, from 25 April to 7 April 2011**, for the purchase price of **\$150,000 + GST** ("purchase price"). Subsequent to the sale and purchase, Mr Harvey agreed to retain a 30% ownership interest in the Horse. The Offeror will receive unencumbered title to the Horse upon payment of 70% of the above-stated purchase price to **William Inglis & Son Limited**.

Within seven (7) days of the Offeror paying the purchase price to **William Inglis & Son Limited**, the Promoter will compile a register of Owners of the Shares numbered consecutively -1- to -10 - inclusive.

Within 45 days of the Syndicate being fully subscribed the Promoter will ensure that the Horse is registered in the names of the Owners, in accordance with the provisions of clause 2.5 of the Syndicate Deed.

13. Syndicate Manager

The Promoter will act as Syndicate Manager, as first appointee of the Owners in accordance with the provisions of clause 4 of the Syndicate Deed.

The Syndicate Manager will manage the Syndicate in accordance with the provisions of the *Syndicate Deed* and any rules, regulations or guidelines made from time to time by the *Lead Regulator*.

The Syndicate Manager will be entitled to charge fees to each Owner [approximately \$2.00 per day [see Section 20(c) of this *PDS*] and to the Trainer [approximately \$7.87 per day that the Horse is in full training with the Trainer], in accordance with the provisions of *clause 4.10* of the *Syndicate Deed*, for acting as Syndicate Manager. The initial fees will be the fees disclosed in *Schedule 1* of the *Syndicate Deed*.

The first appointee only of the Owners as Syndicate Manager will also be entitled to the following additional remuneration:

- (i) A fee equivalent to the value of 2% of Prize money for wins (and placings 1st to 5th in Group and listed races) where Prize money (including Breeders Bonus or Incentive Scheme cash payments) won is not less than \$12,000 in accordance with the provisions of *clause 4.11* of the *Syndicate Deed* [this % figure will increase to 5% when the total gross value of Prize money, Breeders Bonus or Incentive Scheme cash payments and Trophies won by the Horse exceeds an amount equal to the total value of the Shares in the Horse the subject of this *PDS*];
- (ii) 5% of the sale price of the Horse, in accordance with the provisions of *clause 4.12* of the *Syndicate Deed*; and
- (iii) 2 Lifetime Service Rights [only in the event of the horse being an entire and being retired to stud], in accordance with the provisions of *clause 4.13* of the *Syndicate Deed*.

The Horse will race in the racing colours nominated by the Syndicate Manager, in accordance with the provisions of *clause 2.6* of the *Syndicate Deed*, being the colours disclosed in *Schedule 1* thereof.

14. Racing Manager

DEAN WARREN WATT will act as Racing Manager, as first appointee of the Syndicate Manager as Racing Manager, in accordance with the provisions of *clause 5* of the *Syndicate Deed*.

15. Trainer

CHRIS WALLER will train the Horse from his **ROSEHILL** as the first appointee of the Syndicate Manager as Trainer, in accordance with the provisions of *clause 6.2* of the *Syndicate Deed*.

Mr WALLER has agreed to train the Horse.

16. Veterinary Report

DR TIM ROBERTS of Centennial Park Veterinary Practice (ABN 91 072 794 944) BVSc, Veterinary Surgeon ("Dr Roberts") has provided an initial veterinary report and a subsequent report within 30 days of this *PDS* as to the suitability of the Horse for purchase and syndication.

Dr Roberts has given, and has not, before the date of this *PDS*, withdrawn his consent to the issue of this *PDS* with the veterinary report being included in the form and context in which it is included.

17. Assessment of Value

The Promoter relies on the price paid for the Horse by the Offeror at public auction as being the current market value of the Horse.

18. Insurance

The Offeror has arranged mortality insurance cover with LOGAN LIVESTOCK INSURANCE AGENCY (ABN 81 001 826 204) which will expire on **1 November, 2011**, subsequent to which date each Owner will be responsible for assessing his or her own insurance risk and arranging whatever insurance cover he or she considers is appropriate.

19. Interests of the Promoter, the Offeror, the Syndicate Manager, the Racing Manager, their directors and experts

1. The Promoter, the Offeror, the Syndicate Manager and the Racing Manager, neither have, nor have had in the period of two years before the date of this *PDS*, any interest in relation to the promotion of the Syndicate or in the Horse other than the interests detailed in this *PDS*.
2. No Director or proposed Director of the Promoter, the Offeror the Syndicate Manager or the Racing Manager, either has, or has had in the period of two years before the date of this *PDS*, any interest in relation to the promotion of the Syndicate or in the Horse other than emoluments he or she may be entitled to receive from the Offeror, the Promoter, the Syndicate Manager or the Racing Manager and interests detailed in this *PDS*.
3. **Mr Waller** neither has, nor has had in the period of two years before the date of this *PDS*, any interest in relation to the promotion of the Syndicate or in the Horse, save for the expectation that he will receive fees from training the Horse. Prospective investors should be aware that **Mr Waller** may train other Horses syndicated and/or managed by the Promoter, Syndicate Manager and/or Racing Manager.
4. **Dr Roberts** neither has, nor has had in the period of two years before the date of this *PDS*, any interest in relation to the promotion of the Syndicate or in the Horse except that he will receive a professional fee in connection with the provision of the Veterinary Report. Prospective investors should be aware that **Dr Roberts** may provide veterinary services to other Horses syndicated and/or managed by the Promoter, Syndicate Manager and/or Racing Manager.
5. There is nothing in the *Syndicate Deed* to prevent either themselves or any members, officers, directors of the Promoter, the Offeror the Syndicate Manager or the Racing Manager, or any corporation related to any of them or their officers, from purchasing, holding, dealing in or disposing of Shares in the Syndicate, or from otherwise contracting or acting as agent or entering into or being interested in any contract or transaction whatsoever with any other of them or with any Owner.

20. Summary of rights and liabilities attaching to Shares in the Syndicate and other relevant information

The full rights and liabilities attaching to Shares in the Syndicate are set out in the *Syndicate Deed*, a copy of which is annexed to this *PDS*. Each prospective purchaser of a Share should read that document in its entirety, as each Owner of a Share will be bound by its terms. Some important points are as follows:

- (a) None of the Promoter, the Offeror, nor any person or corporation named in the *Syndicate Deed*, nor anyone on behalf of any of them, makes any representation or warranty with regard to either:
 - (i) the suitability of the Horse either for racing or subsequently for stud purposes; or
 - (ii) the reliability or adequacy of any insurance cover arranged for the benefit of the Owners and referred to in this *PDS* or the *Syndicate Deed*;

and each Purchaser of a Share must acknowledge entering into the Syndicate at his or her own risk and being aware that investment in thoroughbred horses is highly speculative.
- (b)
 - (i) The Owner of each Share will be entitled to a pro-rata share of net Prizemoney (gross Prizemoney less the obligatory deductions of 10% for the trainer and 5% for the jockey) and Breeders Bonus or Incentive Scheme payments earned by the Horse from racing, in accordance with the provisions of *Clause 2.3* of the *Syndicate Deed*; and
 - (ii) The entitlements of the Owners are subject to the default provisions set out in *clause 18* of the *Syndicate Deed*, which afford the Syndicate Manager both the right to suspend an Owner's entitlements whilst in default, and a power of sale in the event such default is not rectified within 14 days of receipt of notice.
- (c) The Owner of each share will be liable for a pro-rata share of costs associated with operating the Syndicate and with maintaining, training and racing the Horse, in accordance with the provisions of *Clauses 3 and 13* of the *Syndicate Deed*.

The following are indicative of Syndicate and Horse expenses (inclusive of GST) for a full financial year, payable by each Owner monthly:

	Total for the Syndicate per annum	Total per Share per annum	Total per Share per month
Fee payable to Syndicate Manager	\$ 7,920	\$792	\$66
Estimated Horse costs (agistment, veterinary, pre-training, training and racing costs etc, but excluding major race entry and acceptance fees). *Note – these costs will vary significantly from month to month depending upon whether or not the Horse is in full training on out of training on agistment.	\$35,000	\$3,500	\$291.67* (indicative only and subject to significant variation from month to month)
Total	\$42,920	\$4,292	\$357.67

- (d) Each Owner, by the provisions of *clause 2.8* of the *Syndicate Deed*, authorises the Syndicate Manager to do all things required to be done by an Owner to comply with the provisions of the *Syndicate Deed* and the *Rules of Racing* including signing a transfer of ownership of that Owner's interest in the event of unremedied default.
- (e) A procedure for determining the entitlements of the Owners to Trophies and replica Trophies is set out in *clause 2.3* of the *Syndicate Deed*.
- (f) A procedure for handling internal complaints is provided by the provisions of *clause 16* of the *Syndicate Deed*, which includes the right of an Owner, in certain circumstances, to have the dispute referred to the *FINANCIAL OMBUDSMAN SERVICE LIMITED (ABN 67 131 124 448)* ("FOS") for determination by conciliation or arbitration.
- (g) Provisions relating to the termination of the Syndicate on either the sale or death of the Horse, Owners agreement by Extraordinary Resolution, the Syndicate Manager electing to wind-up the Syndicate, or by order of the Court, are set out in *clause 19* of the *Syndicate Deed*.
- (h) The Owners rights of indemnity are limited by the provisions of *clauses 20* and *21* of the *Syndicate Deed*.
- (i) Investors should be aware that the Promoter, the Offeror, the Syndicate Manager and/or the Racing Manager, may each retain/acquire Shares in the Syndicate and that they may retain/acquire any number of Shares.

21. Marketing of Shares

An Owner will not be able to offer for purchase, or issue invitations to buy Shares, unless the prospective purchaser is provided with a *PDS* prepared by the Syndicate Manager in accordance with the provisions of *clause 4.8* of the *Syndicate Deed*.

In addition, there are restrictions on the sale of Shares set out in *clause 11* of the *Syndicate Deed*.

There will be no ready market for the Shares. Neither the Syndicate Manager nor the Racing Manager will be obliged to sell a Share on behalf of an Owner. Each Owner should consider the acquisition of a Share as a long term investment for the life of the Syndicate.

22. Warning

Investment in bloodstock must be considered to be of a speculative nature.

Each Purchaser of a Share must also acknowledge that there are inherent risks associated with investment in thoroughbred horses, including, without limitation, the following:

- (a) not all horses offered for syndication progress to competing in races;
- (b) the rate at which young horses mature varies markedly and it is not possible to predict with any degree of certainty at what age a horse will be mature enough to race;
- (c) not all horses which do race either win, or are placed, or earn prize money;
- (d) injuries can be sustained which may delay or inhibit a horse's ability to race, or even prevent a horse from having a racing career at all;
- (e) an extremely high percentage of colts are invariably gelded to optimise racing potential; and

- (e) insurance is available against some, but not all, risks associated with the ownership of thoroughbred horses.

23. Risk

Fluctuations in the value and sale price of Shares should be anticipated. Factors which will influence both the value and sale price of the Shares include, without limitation, the following:

- (a) the skill and expertise of the individuals engaged to manage, maintain and market the Horse, as well as the manner in which these functions are carried out;
 - (b) the race performances of the Horse;
 - (c) the Horse may die or its value may be diminished as a consequence of accident, injury, contraction of disease or natural cause;
 - (d) the level of demand for horses of equivalent calibre both at public auction and by private treaty;
 - (e) the level of supply of horses of equivalent calibre both at public auction and by private treaty;
 - (f) any change in the current conditions affecting investment in the thoroughbred horse industry, including level of prize money and taxation benefits available to breeders;
 - (g) changing conditions within the Australian economy generally; and
 - (h) the price which buyers at public auction or by private treaty are willing to pay either for the Horse, or Shares in the Horse, if offered for sale, may not reflect either the purchase price paid by the Offeror for the Horse or the sale price of the Shares offered under this *PDS*.
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Declaration

I *DEAN WARREN WATT*, Sole Director of *DYNAMIC SYNDICATIONS (DEAN WATT THOROUGHBREDS PTY LTD T/AS)* declare that:

- (a) the statements contained in this PDS are true and correct; and not misleading in their form or content; and
- (b) this PDS contains all information which prospective investors and their advisers would require and reasonably expect to find in a PDS for the syndication of a Horse for the purpose of making an informed assessment about investment in the Syndicate.



DEAN WARREN WATT

8 July 2011

SCHEDULE

APPLICATION PRICE CALCULATION SHEET

ENCOSTA DE LAGO / BROWN EYED GIRL Bay Colt 2009 – Lot 173

*** A statement setting out expenses incurred by the Promoter in the formation of the partnership.**

(A) Actual Cost - FALL OF HAMMER	\$150,000
(B) Costs Incurred in Acquisition of Horse	\$ 41,128
(C) Actual & Budgeted Forward Horse Husbandry Costs	\$ 9,768
(D) Syndicate Establishment, Promotion, Accounting & Legal	<u>\$ 16,559</u>
	\$217,455 +
(E) GST	<u>\$ 21,745</u>
	\$239,200 +
(F) Racing NSW Registration Fees \$300 (GST Exempt)	<u>\$ 300</u>
<u>TOTAL SYNDICATION VALUE</u> (including GST to 30/9/11)	<u>\$239,500</u>

(A) PURCHASE PRICE = \$150,000 + GST

Purchase Price: **\$150,000 + GST**
Fall of Hammer Price in Sale Ring (+ GST)

(B) VARIOUS ACQUISITION COSTS = \$41,128 + GST

Dynamic Syndications Margin on Sale Price **\$15,000 + GST**
Yearling Sale Price - \$150,000 x 10%

4 x Race Series Eligibility Payments: **\$3,682 + GST**

- * Entry Fee Inglis Race Series – One off payment = \$2,000
- * Entry Fee BOBS 2-3YO Series – One off payment = \$600
- * Entry Fee BOBS Extra Series - 4YO + horses – One off payment = \$764
- * Golden Slipper / Golden Rose eligibility payment \$318

Insurance – 4 x Premiums: **\$18,681 + GST**

- (1) - Mortality cover from Fall of Hammer to 1/11/2011 on \$239,500 syndicated value
- (2) - Colic Cover
- (3) - Disability / Impairment Guarantee - Fall Of Hammer Price to Registration Date
- (4) - P. I. Cover:

Acquisition Costs:

\$3,765 + GST

- * Veterinary work conducted at saleyard by Dr Tim Roberts in Selection Process includes: Physical Inspections, X-Rays and Endoscopic evaluation divided pro-rata across all yearlings purchased for syndication = \$1,979
- * Sales Expenses incurred in attending sale divided Pro Rata by yearlings purchased for syndication = \$826
- * Miscellaneous Costs = Professional Photographers, Pedigree Ratings Software Fee - Pro Rata across all yearlings purchased for syndication = \$960

(C) HORSE HUSBANDRY ACCOUNTS BUDGET TO 30/09/11 =

\$9,768 + GST

Planning and Progression for the horse from 7/4/11 to 30/9/11

- Transport 7/4/11 from Sales Complex to Oakridge Spelling Farm NSW = \$210
- Agistment from Date of Arrival at Oakridge to 30 April – 23 days = \$828
- Transport 1 May to educators to commence breaking-in process = \$350
- Education process over 35 days (5 weeks) including stabling & agistment = \$2,900
- Transport 6 June from educators back to Agistment Farm = \$350
- Agistment from 6 June – 30 May = \$828
- Miscellaneous additional costs include Farrier Feet Trim and Shoes (\$165), Dentist (\$90), Parasite Drench (2 x \$78) = \$411

Sub Total of Budgeted Costs to 30 June 2011 = \$5,877

The horse will then spell until 30 September 2011 before commencing training:

- Agistment from 1 July – 31 July = \$1,116
- Agistment from 1 August – 31 August = \$1,116
- Agistment from 1 September – 30 September = \$1,080
- Miscellaneous additional costs include Farrier Feet Trim (3 x \$85), Dentist (1 x \$90), Parasite Drench (3 x \$78) = \$579

Sub Total of Budgeted Costs from 30 June to 30 September 2011 = \$3,891

(D) BUDGETED SYNDICATE ESTABLISHMENT & PROMOTION =

\$16,559 + GST

Establishment & Promotion = \$9,859

Postage, Printing, Handling, Stationary \$127, Communications via Telephone, Fax, Email, SMS (Pro Rata) \$325, Marketing & Promotional, Banking, Merchant Service / Eftpos Fees (Pro Rata) \$825, IT Service Provider (Pro Rata) \$857, Veterinary Report for PDS \$195, Advertising = \$7,500 (Pro Rata expenses across TV – Radio – Websites): TVN – Sky Sports Radio – Bloodstock.com – Racenet, etc), ASIC PDS in-use Form 88 \$30.

Accounting & Legal = \$6,700

Auditors Fee: \$3,500 (Pro Rata), Chartered Accountants Fee: Frank Larosa & Co \$1,200 (Pro Rata), Legal Fees (Pro Rata): Macquarie Legal Practice \$2,000 (Pro Rata).

All prices above have been recorded as GST exclusive

(E) <u>GST:</u> (10% Goods & Services Tax)	<u>\$21,745</u>
<u>SUB-TOTAL OF COSTS</u>	\$239,200 +
(F) <u>STATUTORY FEES:</u> (Racing NSW Registration Fees of \$300 is GST Exempt)	<u>\$ 300</u>
<u>TOTAL PRICE TO 30/09/11</u>	<u>\$239,500</u>

10% Shares @ \$23,950 (including GST) per share

5% Shares @ \$11,975 (including GST) per share



Logan Livestock Insurance Agency Pty Ltd

ABN 81 001 826 204

www.logans.com.au

AFS Licence No. 738959

21 PARRAWEEEN STREET, CREMORNE NSW 2090 TELEPHONE: (02) 9909 1499 FAX: (02) 9909 8057

Correspondence: P.O. BOX 360, CREMORNE NSW 2090 AUSTRALIA email: postmaster@logans.com.au

08/04/2011

Dynamic Syndications
PO Box 2324
Taren Point NSW 2229

MEMORANDUM OF INSURANCE

Policy No: L086510

Insured: Dean Watt Thoroughbreds Pty Ltd t/as Dynamic Syndications

Interest: Unnamed
2009 Bay/Brown Colt
Encosta De Lago/ Brown Eyed Girl

Use: Flatracing

Limit of Liability: Aud\$166,250 being 70%

Period: 5th April 2011 to 4.00pm 1st November 2011 at 4pm

Coverage Summary: Mortality Insurance
Colic Surgery Cost Extension Clause not exceeding \$10,000
Australia & New Zealand Territorial Limits
12 Month Extension Clause
Limited Theft and Unlawful Removal Endorsement
Terrorism Exclusion Endorsement
Disability Impairment Guarantee to Syndicate Registration

Underwriters: Lloyd's of London

Information on horse insurance is available at -:
www.logans.com.au

The Financial Services Guide and Insurance Policy are held by the Syndicator as syndicate manager and/or arranger of the insurance. They are available from them on request.

This Memorandum of Insurance is provided for inclusion in the Promoters Disclosure Statement for the sale of shares in the horse noted above and does not replace the terms and conditions of the policy.



FINANCIAL SERVICES GUIDE (FSG)

Prepared on 22 January 2010

The Provider of the financial services to which this **FSG** relates is:

DYNAMIC SYNDICATIONS

(DEAN WATT THOROUGHBREDS PTY LTD T/AS)

Suite 1, 15-17 Forrest Road, HURSTVILLE, NSW, 2200

Postal: PO Box 2324, TAREN POINT, NSW, 2229

Telephone: 02 9587 1511; Facsimile: 02 9587 1522; Email: info@dynamicssyndications.com.au

Our ABN number is 64 134 481 539.

Our Australian Financial Services Licence (AFSL) Number is 336808.

This guide contains important information about:

- The services offered by **DYNAMIC SYNDICATIONS**;
- How **DYNAMIC SYNDICATIONS** and our associates are paid;
- How **DYNAMIC SYNDICATIONS** proposes to deal with any potential conflict of interest we may have; and
- The internal and external disputes resolution procedures maintained by **DYNAMIC SYNDICATIONS** and how shareholders in our Syndicates may access them.

It is an important document. Please read it carefully and keep it in a safe place.

The public offering of shares in Horse Racing Syndicates is regulated by the Corporations Act and relevant Class Orders, which require that **DYNAMIC SYNDICATIONS** as the Promoter provides potential purchasers of Shares with both this **FSG** and a **PRODUCT DISCLOSURE STATEMENT (PDS)** specific to each Syndicate in which we are offering Shares containing all relevant details of the Syndicate sufficient to enable prospective purchasers to make an informed decision as to whether or not to proceed to acquire Shares.

Horse Racing Syndicates are required to be registered with ASIC as Managed Investment Schemes unless the particular Syndicate qualifies for the exemption granted by CO 02/319 (as amended) [issued by ASIC on 15th February, 2002] in relation to "Small Scale Horse Racing Syndicates". A Horse Racing Syndicate which comes within the scope of CO 02/319 is exempted from the requirement to be registered as a Managed Investment Scheme, provided it complies with the requirements of the Class Order and is the subject of a Lead Regulator approved PDS. "Lead Regulator" means any one of the following bodies: Racing NSW, Racing Victoria Limited, Thoroughbred Racing S.A. Limited, Queensland Thoroughbred Racing Board, Western Australian Turf Club, Tasmanian Thoroughbred Racing Council, Alice Springs Turf Club and Darwin Turf Club.

DYNAMIC SYNDICATIONS is an approved promoter and is on the register of approved promoters of Horse Racing Syndicates with Lead Regulator Racing NSW and is permitted by the terms of our **AFSL** to promote Lead Regulator approved Horse Racing Syndicates.

A GUIDE TO OUR RELATIONSHIP WITH YOU AND OTHERS

What kinds of financial services is DYNAMIC SYNDICATIONS authorised to provide and what kinds of financial products do those services relate to?

DYNAMIC SYNDICATIONS provides "General Financial Product Advice" only and deals only in the promotion and sale of Shares in Horse Racing Syndicates and the ongoing management of those Syndicates.

DYNAMIC SYNDICATIONS does not provide “Personal Financial Product Advice”, which must take into account a person’s financial situation, needs and objectives and require us to provide the person to whom the advice is given with a **STATEMENT OF ADVICE (SOA)** detailing our advice, together with information on our remuneration, associations and other interests, which might reasonably influence us in giving the advice.

In providing “General Product Advice” only in relation to each new Syndicate, **DYNAMIC SYNDICATIONS** will rely upon the relevant PDS for the provision to prospective purchasers of Shares of sufficient “General Financial Product Advice” to enable them to make an informed decision as to whether or not to proceed to acquire Shares.

How is DYNAMIC SYNDICATIONS (and our Associates, if any) remunerated for the financial services and products we provides?

DYNAMIC SYNDICATIONS does not charge a specific fee for giving “General Financial Product Advice” to prospective purchasers of Shares in the Syndicates we promote. The purchase price of the Share(s) includes a proportionate share of the costs of acquiring and maintaining the horse (including in most cases – insurance), plus the costs of establishing and publicly promoting the Syndicate to prospective purchasers of Shares; and a profit margin, if applicable.

The PDS for each Syndicate contains details of the costs and expenses associated with the particular Syndicate; together with a detailed statement of the risks associated with investment in that particular type of Syndicate

DYNAMIC SYNDICATIONS may also charge fees for the ongoing management of each Syndicate. All fees and charges applicable to the management of each Syndicate are detailed in the relevant PDS.

Prospective purchasers of Shares in any Horse Racing Syndicate should read the relevant PDS prior to deciding whether or not to acquire Shares and should contact **DYNAMIC SYNDICATIONS** for further clarification, if required.

DYNAMIC SYNDICATIONS and our management have addressed the issue of potential conflict of interest

All fees and benefits payable to **DYNAMIC SYNDICATIONS** and other parties associated with the ongoing management of each Syndicate are fully disclosed in the PDS.

DYNAMIC SYNDICATIONS maintains internal and external dispute resolution procedures

Each Syndicate Deed contains details of procedures for dealing with disputes relating to the operation of the Syndicate.

Furthermore, **DYNAMIC SYNDICATIONS** is a member of the **FINANCIAL OMBUDSMAN SERVICE LIMITED ABN 67 131 124 448 (FOS)** [Postal Address: GPO Box 3, Melbourne, Victoria, 3001; Telephone: 1300 78 08 08; Facsimile: 03 9613 6399; Email: info@fos.org.au ; Web: www.fos.org.au] and shareholders in Syndicates promoted and managed by **DYNAMIC SYNDICATIONS** will, in certain circumstances, be entitled to have their complaint(s) referred to FOS for determination by conciliation or arbitration. (FOS Membership Number: F-11316).

Right of purchasers of shares to Cool-Off

Each purchaser of a Share in a new Syndicate will have a right to Cool-Off. Full details relating to a purchaser’s right to Cool-Off are set out in the relevant PDS.
