

PRODUCT DISCLOSURE STATEMENT

(P. D. S.)

For the Sale of Shares in a Racehorse

Lead Regulator Approved

HORSE: UNNAMED THOROUGHBRED Bay Colt 29/8/2010

By : ENCOSTA DE LAGO

FROM : PETTA GAYE (by DANEHILL)

**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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Contents

<u>Section</u>	
1.	<u>Preparation and purpose</u>
2.	<u>Jurisdiction</u>
3.	<u>Disclosure</u>
4.	<u>Cooling-off</u>
5.	<u>Statatement to prospective investors as to the commercial merits of the proposal and recommendation regarding the seeking of advice</u>
6.	<u>Disclaimer</u>
7.	<u>Key features of Syndicate</u>
8.	<u>Promoter</u>
9.	<u>Issue</u>
10.	<u>Application Price</u>
11.	<u>How to invest</u>
12.	<u>Title</u>
13.	<u>Syndicate Manager</u>
14.	<u>Racing Manager</u>
15.	<u>Trainer</u>
16.	<u>Veterinary Report</u>
17.	<u>Assessment of value</u>
18.	<u>Insurance</u>
19.	<u>Interests of the Promoter, the Offeror, the Syndicate Manager, the Racing Manager, their directors and experts</u>
20.	<u>Summary of rights and liabilities attaching to Shares in the Syndicate and other relevant information</u>
21.	<u>Maketability of Shares</u>
22.	<u>Warning</u>
23.	<u>Risk</u>
<u>Annexures</u>	
1.	<u>Lead Regulator approval of PDS</u>
2.	<u>Pedigree</u>
3.	<u>Application Price Calcualtion Sheet</u>
4.	<u>Letter of consent to act as Trainer</u>
5.	<u>Veterinary Certificate</u>
6.	<u>Particulars of Insurance</u>
7.	<u>Syndicate Deed</u>
8.	<u>Application Form</u>

PRODUCT DISCLOSURE STATEMENT

1. Preparation and purpose

This *Product Disclosure Statement* ("PDS") is dated **26 November 2012**. 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	\$13,250.00 (including GST) For further details see Section 10
Total number of Shares	Twenty (20)
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 \$148.84 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 COLT FOALED 29/8/2010 BY ENCOSTA DE LAGO FROM PETTA GAYE By DANEHILL** 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

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 **\$13,250** (inclusive of GST), calculated as follows:

Base Sale Price of Horse, excluding GST	\$125,000	
Total Syndicate Establishment Costs	\$117,804	
GST (rounded)	\$21,536	
Registration fees payable to Racing NSW	\$660	
Application Price per Share payable upon application		\$13,250.00

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 196**, from vendor **COOLMORE STUD**, at the **2012 Magic Millions Yearling Sale conducted by Magic Millions Sales Pty Limited (ABN 54 078 396 317) at 28 Ascot Court, BUNDALL, QUEENSLAND, from 11 to 15 January 2012**, for the purchase price of **\$125,000 + GST** ("purchase price"). The Offeror will receive unencumbered title to the Horse upon payment of the purchase price to **Magic Millions Sales Pty Limited**.

Within seven (7) days of the Offeror paying the purchase price to **Magic Millions Sales Pty 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 \$7.12 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 Prizemoney (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 Prizemoney, 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.

13(b). Information about Management Fees for Prospective Owners

Promoters may include Management Fees in the Product Disclosure Statement.

Management of a horse by a Promoter may be considered important to some investors as certain Promoters may have extensive experience in the industry.

Investors should consider the monthly management service and fee as detailed in the Product Disclosure Statement (or other contract or agreement) for the services provided and ask any questions of the Promoter before deciding whether to proceed.

Investors should note that under usual circumstances the agreements reached to provide a management service is only for the racing career of the horse and does not extend beyond this e.g. breeding career except by separate arrangement.

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** stables 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 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.

Dr MURRAY BRIGHTWELL of Cambridge Equine Hospital (GST Reg. # 11-311-687) BVSc, Veterinary Surgeon ("Dr Brightwell") has provided a current veterinary report as to the suitability of the Horse for purchase and syndication subsequent to the NZ Bloodstock Ready To Run Sale.

Dr BRIGHTWELL 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. It was noted that the horse was offered through the salering at the NZ Bloodstock Ready To Run Sale. The horse was subsequently passed-in at \$230,000 NZD (\$190,000 AUD) with a Reserve Price of \$250,000 NZD. At the published AUD/NZD Exchange Rate on 22/11/12 of \$1.21

18. Insurance

The Offeror has arranged mortality insurance cover with LOGAN LIVESTOCK INSURANCE AGENCY (ABN 81 001 826 204) which expired on **1 November, 2012**, subsequent to which date the Offeror extended the expiry date to **30 March 2013** at the **increased syndication value of \$265,000**. From that date forward 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. **Dr Brightwell** 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 Brightwell** may provide veterinary services to other Horses syndicated and/or managed by the Promoter, Syndicate Manager and/or Racing Manager.
6. 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 5% Share per annum	Total per 5% Share per month
Fee payable to Syndicate Manager For Horse Administration, Racing Management, Client Information Flow, Annual Preparation of Co-Ownership Accounts, Annual Auditors Fee, other Miscellaneous Services, etc.	\$15,840	\$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	\$1,750	\$145.84* (indicative only and subject to significant variation from month to month)
Total	\$50,840	\$2,542	\$211.83

- (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.

A handwritten signature in black ink, appearing to read 'D Watt'.

DEAN WARREN WATT

26 November 2012

SCHEDULE

APPLICATION PRICE CALCULATION SHEET

**ENCOSTA DE LAGO / PETTA GAYE - Bay Colt 2010 – Lot 196 at Magic Millions
Sale in January 2012 & Lot 259 at NZ Bloodstock Sale November 2012**

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

(A) Actual Cost - FALL OF HAMMER Price at Magic Millions	\$125,000
(B) Costs Incurred in Acquisition of Horse	\$ 43,574
(C) Actual & Budgeted Forward Horse Husbandry Costs in Australia	\$ 19,391
(D) Syndicate Establishment, Promotion, Accounting & Legal	<u>\$ 27,401</u>
	\$215,366 +
(E) GST	<u>\$ 21,536</u>
	\$236,902 +
(F) NZ Expenses Component is GST Exempt & converted to AUD	\$ 27,438
(G) Racing NSW Registration Fees \$660 (GST Exempt)	<u>\$ 660</u>
<u>TOTAL SYNDICATION VALUE</u> (including GST to 31/1/2013)	<u>\$265,000</u>

(A) YEARLING SALE PURCHASE PRICE = \$125,000 + GST

Purchase Price: **\$125,000 + GST**
Fall of Hammer Price in Sale Ring (+ GST)

(B) VARIOUS ACQUISITION COSTS = \$43,574 + GST

Dynamic Syndications Profit Margin On This **\$15,625 + GST**
12.5% on the Fall Of Hammer Sale Price = \$125,000 x 12.5%

Various Veterinary Reports for PDS **\$390 + GST**

ASIC - PDS in-use Form 88 **\$33 + GST**

Insurance – 5 x Premiums:

\$21,013 + GST

- (1) - Mortality cover from Fall of Hammer to 1/11/2012 on \$216,500 syndicated value
- (2) - Colic Cover
- (3) - Disability / Impairment Guarantee - Fall Of Hammer Price to Registration Date
- (4) - ASIC required Professional Indemnity Cover
- (5) - Extension - Mortality Cover to 30/3/13 at increased Syndication Value \$265,000

Race Series Eligibility Payments:

\$1,672 + GST

- * Entry Fee BOBS 2-3YO Series – One off payment = \$900
- * Golden Slipper / Golden Rose Eligibility payment \$318
- * Golden Slipper / Golden Rose First Acceptance payment \$454

Acquisition Costs: (Yearling Sales on Gold Coast 2012)

\$4,841 + GST

- * Veterinary work conducted at saleyard by Dr Tim Roberts in Selection Process includes: 56 Physical Inspections, 47 X-Rays Inspections and 6 Endoscopic evaluations divided pro-rata across all 6 yearlings purchased for syndication = \$1,916
- * Sales Expenses (8 Days x 3 Staff) incurred in attending sale i.e. Air Fares, Transport, Accommodation, Phone, Client Liaison, Living Expenses, etc, divided by yearlings purchased for syndication = \$1,942
- * Miscellaneous Costs = Professional Photographers, Footage of Auction Sale, Pedigree Ratings Software Fee, Pro Rata across all yearlings purchased for syndication = \$983

(C) HORSE HUSBANDRY ACCOUNTS & BUDGETS TO 31/1/13 =

TOTAL AUSTRALIAN BASED Horse Husbandry Costs = \$19,391 + GST

TOTAL NZ BASED Horse Husbandry Costs in AUD = \$28,244 (GST Exempt)

Planning and Progression for the horse from 13/1/12 to 7/8/12 (export date)

= \$15,023 + GST

- Transport on 15/1/12 from Sales Complex to Oakridge Spelling Farm NSW = \$680
- Agistment from Date of Arrival at Oakridge to 31 January – 17 days = \$586
- Agistment from 1 February – 29 February = \$986
- 1 March Transport to educators to commence breaking-in process = \$180
- Education process over 35 days (5 weeks) including stabling & agistment = \$2,900
- Transport 4 April to Wild Oaks Farm Pre-Trainers Stables = \$70
- 14 days education in racing stables at Wild Oaks Farm @ \$75 = \$1,050
- Miscellaneous additional costs at Wild Oaks Farm include Track Fees (\$39), Farrier Feet Trim and Shoes (\$165), Dentist (\$90), Parasite Drench (\$78) = \$372
- 18 April Transport return to Oakridge Spelling Farm = \$70
- April Agistment at Oakridge Spelling Farm 13 days = \$442
- Agistment 1 May – 31 May 31 Days at Oakridge Spelling Farm
- + Feet Trim and Drench = \$1,442
- Transport 1 June to Wild Oaks Pre-Trainers Stables = \$70
- 21 days re-education in racing stables at Wild Oaks Farm @ \$75 = \$1,575
- Miscellaneous additional costs at Wild Oaks Farm include Track Fees (\$63), Farrier Feet Trim and Shoes (\$165), Dentist (\$90), Parasite Drench (\$78) = \$396

Transport 22/6 to Oakridge Spelling Farm = \$70
 June Agistment 8 days at Oakridge + Feet Trim and Drench = \$515
 July Agistment 15 Days Oakridge = \$540
 July 16 Transport to Wild Oaks Pre-Trainers Stables = \$70
 16 July to 7 August: 23 days Pre-Training and re-education in racing stables at Wild Oaks Farm @ \$75 = \$1,725
 Miscellaneous additional costs at Wild Oaks Farm include Track Fees (\$63), Farrier Feet Trim and Shoes (\$165), Drench (\$78), Export Preparation (\$180) = \$486
 7 August Transport to Sydney Airport & Waiting Time for Flight to NZ = \$210
 Australian Stud Book Clearance For Export Fee = \$400
 NZ Racing Board Import Application Fee = \$188

Forward Budget Costs from Date of Return to Australia (1/12/12 to 31/1/2013)

= \$4,368 + GST

Transport from Sydney Airport to Oak Ridge Spelling Farm = \$210
 December Agistment 31 Days at Oakridge Spelling Farm +
 Feet Trim and Drench = \$1,442
 Transport 2 January to Wild Oaks Pre-Trainers Stables = \$70
 30 days Pre-Training in racing stables at Wild Oaks Farm @ \$75 = \$2,250
 Miscellaneous additional costs at Wild Oaks Farm include Track Fees (\$63), Farrier Feet Trim and Shoes (\$165), Dentist (\$90), Parasite Drench (\$78) = \$396

Total Australian Costs to 31 January 2013

NEW ZEALAND EXPENSES - From 7 August 2012 to 1 December 2012.

(Recorded in NZD then Sub-Totaled and converted to AUD @ 1.21 as at 22/11/12)

= AUD \$28,244 (*GST is Exempt)

Airfare to Auckland with NZ Bloodstock Air Freight = \$6,160
 Lyndhurst Farm – August Account = \$1,499
 Lyndhurst Farm – September Account = \$2,590
 Cambridge Equine (Vet) Standard Care = \$107
 Lyndhurst Farm – October Account = \$2,832
 Majestic Horse Transport – Return to Breeze Up Trials = \$138
 Cambridge Equine – October Account = \$1,138
 NZ Bloodstock Sale Entry Fee = \$1,265
 Lyndhurst Farm – November Account = \$2,727
 Cambridge Equine – (including X-Rays for Sale) November Account = \$2,970
 Majestic Horse Transport – Return Transport Cambridge / Karaka = \$520
 NZ Bloodstock Sale Fees - \$250,000 Reserve x 2.5% = \$6,250
 NZ Bloodstock Air Freight – Return Transport to Australia = \$5,430
 Pro Rata Expense for Air Fare Accommodation, Meals, IT Communications = \$550

TOTAL NZ Dollar Expenses Above = \$34,176 NZD

Commonwealth Bank Exchange Rate on 22/11/12 AUD/NZ = \$1.21

AUD value of above expenses = \$28,244 GST Exempt (* the horse was exported and
 Dynamic Syndications are registered for GST in NZ)

(D) BUDGETED SYNDICATE ESTABLISHMENT & PROMOTION =
\$27,401 + GST

Auditing, Accounting & Legal Fees = \$6,700

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

Establishment of a GST Registered Entity in NZ to Claim NZ GST Refund

Price Waterhouse – Hamilton (NZ) (Pro Rata) \$2,500 NZD @ \$1.21 = \$2,066

Funding Costs

Interest Paid on funding of Purchase Price of Yearling to Magic Millions = \$7,500

Establishment & Promotion = \$11,135

Postage, Printing, Handling, Stationary \$128, 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, Advertising = \$9,000 (Pro Rata expenses across all yearlings for Syndication in 2012 : TV – Radio – Websites: TVN – Sky Channel - Sky Sports Radio – Bloodstock.com & other websites).

All prices above have been recorded as GST exclusive

(E) GST: (10 % Goods & Services Tax) ***\$ 21,536***

SUB-TOTAL OF COSTS ***\$236,902 +***

(F) NEW ZEALAND EXPENSES (in AUD): (GST Exempt) ***\$ 28,244***

From 7 August 2012 to 1 December 2012

NZD Sub-Totaled of \$34,176 NZD

converted to AUD @ 1.21 as at 22/11/12)

(G) STATUTORY FEES TO RACING NSW: (GST Exempt) ***\$ 660***

Racing NSW Fees of \$510 (inc: Racehorse Registration Fee \$110, PDS Application Fee \$150, Racing Syndicate Registration Fee \$250 PDS Application Fee for Re-Submitted Documents \$150)

TOTAL PRICE TO: 30/01/13 ***\$265,000***

10% Shares @ \$26,500 (including GST) per share

5% Shares @ \$13,250 (including GST) per share

Account of **LYNDHURST FARM, Cambridge (As Agent).**

Lot 259

BAY COLT (AUS)

Box I 53

Foaled 29th August 2010

Branded : C nr sh; 102 over 0 off sh

Sire	Fairy King	Northern Dancer	Nearctic
Encosta de Lago (AUS)		Fairy Bridge	Bold Reason
1993	Shoal Creek	Star Way	Star Appeal
		Rolls	Mr. Prospector
Dam	Danehill	Danzig	Northern Dancer
Petta Gaye (AUS)		Razyana	His Majesty
1998	Malt	Moss Trooper	Levmoss
		Frill	Agricola

ENCOSTA DE LAGO (AUS) (Bay 1993-Stud 1997). 3 wins, VATC VicHealth Cup, Gr.1. Champion Aust. Sire twice. Sire of 1257 mrs, 846 wns, 91 SW, inc. Princess Coup (Hawke's Bay Kelt Capital S., Gr.1), Lashed, Sirmione, Racing to Win, Alinghi, Sacred Kingdom, Mnemosyne, Delago Deluxe, Road to Rock, Titanic Jack, Aloha, Newport, Delago Brom, Manhattan Rain, Northern Meteor, Apercu, Quay Lago - Ultra Fantasy (H.K.), etc.

1st dam

PETTA GAYE, by Danehill. Unraced. Half-sister to **HORLICKS** (dam of **BREW**, **BUBBLE**), **Hit the Mark**, Scotch and Water (dam of **THE EMBASSY - MR AMBASSADOR** (Mal.)). This is her sixth living foal. Dam of five foals to race, four winners-

It's Wine O'clock - Green Super (H.K.) (g. by Fusaichi Pegasus). 3 wins-1 at 2-at 1200m, Waikato RC Hinuera Lodge 2YO H.

Champagne Days (g. by Encosta de Lago). 2 wins at 1400m, 1600m, HK\$2,090,150, to 2011-12, HKJC Garden Road H., Greater China Over the Top H., 2d HKJC Russian Pearl H., Medical & Health H., Gascoigne H.

Chula Vista (f. by Encosta de Lago). 2 wins-1 at 2-at 1100m, 1250m to 2011-12, ATC James Boag H., STC Ruse Tavern Tipsters 2YO P., 3d ATC Tamarama H., 4th AJC Fernhill H., **L**.

Wittenoom Way (f. by Encosta de Lago). Winner at 2300m in 2011-12, 2d ATC Rosehill Gardens Event Centre 2YO H., 3d ATC Australian Turf Club P.

Cheerine Sun (g. by Encosta de Lago). Placed at 3 in Aust.

2nd dam

MALT, by Moss Trooper. Unraced. Sister to **FLUTED**, half-sister to **INTERSTELLAR**. Dam of 13 named foals, 10 to race, 4 winners, inc:-

HORLICKS (Three Legs). 17 wins from 1200m to 2400m, NZ\$3,411,682, A\$625,000, ARC DB Draught Classic, **Gr.1**-twice, VRC LKS Mackinnon S., **Gr.1**, ARC New Zealand S., **Gr.1**-twice, Manawatu RC Awapuni Gold Cup, **Gr.2**, Wanganui JC Tim Rogers S., **Gr.3**, Japan Cup, **Jpn-1**. Dam of-

BREW (Sir Tristram). Champion stayer in Australia in 2001. 7 wins from 1600m to 3200m, NZ\$200, A\$2,384,290, VRC Melbourne Cup, **Gr.1**.

BUBBLE (Sir Tristram). 4 wins to 2000m, NZ\$184,960, A\$6,000, Avondale Guineas, **Gr.2**, 2d New Zealand One Thousand Guineas, **Gr.1**.

Fly the Flag. 2 wins at 1400m, 2200m. Dam of-

SOLO FLYER (Belong to Me). 4 wins-1 at 2-to 1500m, STC Ajax S., **Gr.2**, Newcastle JC Newmarket H., **Gr.3**, 2d AJC Champagne S., **Gr.1**.

Latte. Placed at 3. Dam of-

FIUMICINO (Zabeel). Top of the 2006-07 Australasian 3YO Classification (long). 5 wins from 1600m to 2400m, A\$2,916,325, STC BMW S., **Gr.1**, Australian Derby, **Gr.1**, STC Hill S., **Gr.2**.

Stella Artois. Unraced. Dam of-

MY TUSKER (Volksraad). 6 wins from 1600m to 2100m, ARC Championship S., **Gr.2**, Waikato RC Sir Tristram Fillies Classic, **Gr.2**.

Scotch and Water. Unraced. Dam of-

THE EMBASSY - MR AMBASSADOR (Mal.) (Danasinga). 7 wins from 1400m to 2400m, NZ\$4,838, A\$227,850, 545,442Rgt., to 2012 in NZ, Aust. and Mal, AJC Randwick City S., **Gr.3**, Perak Derby, **L**.

BOBS Eligible
Golden Slipper nominated



Generated on 01/18/12

		NEARCTIC (Q)	NEARCO
	1	NORTHERN DANCER (B/C)	LADY ANGELA
		NATALMA	NATIVE DANCER
	FAIRY KING (Q)		ALMAHMOUD
		BOLD REASON	HAIL TO REASON
	FAIRY BRIDGE		LALUN
		SPECIAL	FORLI
ENCOSTA DE LAGO			THONG
(93)		STAR APPEAL	APPIANI II
	STAR WAY (Q)		STERNA
		NEW WAY	KLAIRON
	SHOAL CREEK		NEW MOVE
		MR. PROSPECTOR (B/C)	RAISE A NATIVE
	ROLLS		GOLD DIGGER
		GRAND LUXE	SIR IVOR
			FANFRELUCE
Prospective foal			
	1	NORTHERN DANCER (B/C)	NEARCTIC
		DANZIG (I/C)	NATALMA
		PAS DE NOM	ADMIRAL'S VOYAGE
	DANEHILL (Q)		PETITIONER
		HIS MAJESTY (C)	RIBOT
	RAZYANA		FLOWER BOWL
	1	SPRING ADIEU	BUCKPASSER
PETTA GAYE			NATALMA
(98)		LEVMOSS	LE LEVANSTELL
	MOSS TROOPER		FEEMOSS
		FOREST FRIEND	LINACRE
	MALT		BELLE SAUVAGE
		AGRICOLA	PRECIPITATION
	GELU		AURORA
		FROTH	FAUX TIRAGE
			HOME BREW

Sibling Identifier: odd numbers = same dam only; even numbers = same sire and dam

Roman Dosage Profile: (4-2-8-0-0)

D.I.: 2.50

C.D.: 0.71

Werk Quality Rating: Q 7

Dosage Points: 14 + Quality Points: 22 = Total Points: 36

5-Generation Inbreeding: NORTHERN DANCER - 3m x 4m
NATALMA - 4m x 5m, 5f

Stakes winners bred from the ENCOSTA DE LAGO--DANEHILL cross

Stakes Winner	Yob	Sex	Best	Dirt	AWS	Turf	Pedigree
ALOHA	2006	F	G1			Y	ENCOSTA DE LAGO ex TENNESSEE MIDNIGHT (DANEHILL)
ASTOUNDED	2003	F				Y	ENCOSTA DE LAGO ex STARTLE (FLYING SPUR)
DAN DE LAGO	2005	C	G2			Y	ENCOSTA DE LAGO ex THE GOLDEN DANE (DANEHILL)
DANAUPAIR STARLET	2006	F	G3			Y	DELAGO BROM ex DANAUPAIR (DANASINGA)
DELAGO DELUXE	2008	C	G1			Y	ENCOSTA DE LAGO ex SUCCEEDING (FLYING SPUR)
LARGO LAD	2004	G	G2			Y	ENCOSTA DE LAGO ex LADY MARION (DANEHILL)
MERLENE DE LAGO	2005	F	G2			Y	ENCOSTA DE LAGO ex MERLENE (DANEHILL)
NEEDS FURTHER	2007	C	G3			Y	ENCOSTA DE LAGO ex CROWNED GLORY (DANEHILL)
ONE LAST DANCE	2008	F	G3			Y	ENCOSTA DE LAGO ex ONE WORLD (DANEHILL)
PRECIOUS LORRAINE	2007	F	G3			Y	ENCOSTA DE LAGO ex MONSOON WEDDING (DANEHILL)
ROCHA	2005	F	G2			Y	ENCOSTA DE LAGO ex LARROCHA (DANEHILL)

PEDIGREE RATING SCORES - “NICKS”

It's a simple formula – It's all about risk reduction.

Nicks have become an integral part of the decision-making process in the mating and purchasing of thoroughbreds. Most breeders recognise that an affinity or compatibility can exist between two thoroughbred sire lines, such that, when crossed, those lines yielded a greater proportion of superior runners than when either one of them are crossed with any other sire lines. Great breeders, from Federico Tesio to present-day breeders around the world have relied on observed nicks to help guide their breeding plans and buying decisions.

Over 70% of ALL Stakes Winners are “A” Rated Nicks

In order to identify nicks in a systematic way, the software database we use developed an evaluation method based on sire-line analysis. Ongoing studies by researchers show that approximately 25% of the Thoroughbred population is the product of highly successful nicks ("A" rated nicks) while over 70% of stakes winners come from these "A" rated nicks!

Statistics:

There are approximately 20,000 live foals born each year –
25% (5,000) are A Rated whilst 75% (15,000) are rated below.

There are 541 Stakes Races in Australia this racing season.

70% (379) will be won from the 5,000 A rated foals born (7.6%)

30% (162) will be won from the 15,000 foals in the lower rated group (1.08%).

For a practical businessperson seeking a return on money invested, it makes no sense to ignore statistically unfavorable odds. Buying a superior racehorse is already a difficult enough proposition. The Rating systems we use allow us to see into the future by looking into the past and thereby to avoid those mating patterns that have failed. The Nick Rating enables us to avoid crosses that have had little or no success in the past. At the same time, it enables us to identify and thus duplicate successful sire-line crosses, dramatically increasing the chances of success.

Over the years evaluating Nicks have proven to be an invaluable tool in the stallion selection process when identifying yearlings for purchase. Dean Watt, Managing Director of Dynamic Syndications has enjoyed great success as a result of utilising such information. For example:

SAVABEEL, POLAR SUCCESS, HE'S NO PIE EATER, ATOMIC FORCE, ECONSUL, DE BEERS, BRADBURY'S LUCK, TENANT'S TIARA and REWARD FOR EFFORT were all superior racehorses who had superior pedigree ratings.

ECONSUL	A+ +	13,862%
SAVABEEL	A+ +	9,325%
DEBEERS	A+ +	4,270%
POLAR SUCCESS	A+ +	2,240%
REWARD FOR EFFORT	A+	1,175%
ATOMIC FORCE	A+	988%
BRADBURY'S LUCK	A	485%
TENANT'S TIARA	A	238%
HE'S NO PIE EATER	A	161%

Further afield, in 2008 the Top 5 Racehorses in the world had the following ratings:

1 CURLIN	A+	1,375%
2 NEW APPROACH	A+	1,472%
3 RAVEN'S PASS	A+ +	5,961%
4 DUKE OF MARMALADE	A	409%
5 HENRYTHE NAVIGATOR	A+ +	1,531%

Then to further support the theories, in 2008 there was 67 Group 1 races run in Australia. These races were won by 48 individual horses. When these 48 individuals' pedigrees were analysed it showed:

35 / 48 Rated A or above = 73% of Individual Group 1 Winners Rates A or above

Affinity between sire lines was long ago observed by the world's best thoroughbred breeders. Today through modern technologies we are able to quantify what was once only a subjective judgment based on the observations of a relatively small equine population.

Ratings are essentially the objective measurement of success, or lack therefore, of sire-line crosses. Success is quantified by being the winners of stakes races with a prizemoney of at least \$50,000. Through software databases, containing the pedigrees of all such winners since 1977 (over 30,000 winners), we are able to more easily identify what sire-line crosses have succeeded in producing stakes winners and compare those numbers with the stakes winning population on the whole.

Often a sire line may appear to be successful with a particular broodmare sire line. However, if the level of success is no better than that sire line's success with the entire population, then there is not a true nick.

In order to understand the ratings for easy use, a letter-grade scale was developed. As in the scholastic setting, the scales ranges from F (Fail) through to A with A+ also A++ and now since 2011 the software system now identifies A+++ as possible to be achieved in some select instances. The Variants (percentages) shown in the table below are the deviation from the norm that has been observed by that sire line cross in question. On this

scale -15% to +15% (C) is considered average, meaning that the sire-line cross has yielded results that are statistically no better and no worse than what would be expected with the entire population.

An "A" rated nick indicates that a far greater percentage of stakes winners have resulted from that cross than expected. An "F" rated nick indicates that the number of stakes winners resulting from a cross is at least 50% below expectations. This does not mean that there cannot be success or will not be success from such a mating in the future. It does mean that in all the experience of the last 20 + years of winners of stakes races, that type of mating has had a significant lack of success as measured by stakes winner production.

It must be stressed that a below "Average" rating does not guarantee or even predict failure. It means only that, to date, the particular sire-line cross has fallen at least 16% short of what would be expected. Nicks can and do change over time.

Consequently, an above Average Rating must be kept in proper perspective as there are other factors that must be considered when selecting a horse for purchase. Specifically, conformation evaluation is critical. A thoroughbred may have a brilliant pedigree on paper that rates as either Excellent, Superior, Superb or Outstanding on our Ratings Score however if the skeletal structure and/or the overall constitution of the individual is lacking then the horse is rejected as a candidate for purchase.

The Rating Scale is shown below:

Nick	Horse	Variant %
A+++	Excellent	+20,000 and above
A++	Superior	+1,501 to + 19,999
A+	Superb	+500 to +1,500
A	Outstanding	+150 to +499
B+	Very Good	+100 to +149
B	Good	+50 to +99
C+	Acceptable	+16 to +49
C	Average	-15 to +15
D+	Weak	-16 to -34
D	Poor	-35 to -49
F	Unsuccessful	-50
0 SW	Zero Stakes Winners	0 SW

Dynamic Syndications uses these rating tools along with additional pedigree analysis systems from other software databases which skewer the data to local environmental factors and we have introduced a ranking on the class of Stakes Races which are won to establish what we consider is an inherent opportunity of greater racetrack success. Often a horse can have a very high Nick rating and yet score lowly on the variant and visa versa. We use this information to assist us in pedigree selections after the physical inspections have also been considered. Also we cannot blindly accept a rating score. For example Australia has only 2.9% of our races listed as Stakes Races whilst New Zealand has 9.7% and Ireland has 13.1%. Obviously the data will be weighted in certain directions if we did not counter this information with a ranking on the Stakes Races based upon country and class of race, racing region within the country and climatic conditions in the region. After adjustments the rating scale is presented below.

Quality Rating Summary

It is undeniable that racing class is in great part a function of the *quality* of ancestors contributing to new individual. It follows that certain quality stallions tend to contribute more favorably than other sires. When Quality points contributed by such deserving sires are combined with dosage points, the total points more accurately reflect the overall class of a pedigree.

The *Quality sires* in a pedigree contribute quality points (QP) to the new individual in exactly the same way as ancestral sires contribute dosage points (DP). The total number of *Quality points* is added to the *Dosage points* to get *Total Points* (TP).

The Quality Rating, which ranges from zero, as the low, to ten, as the high, is scaled to the number of total points in the pedigree:

Total Points	Quality Rating
0	Q0
1 to 4	Q1
5 to 9	Q2
10 to 14	Q3
15 to 19	Q4
20 to 24	Q5
25 to 29	Q6
30 to 39	Q7
40 to 44	Q8
45 to 54	Q9
55 +	Q10

CENTENNIAL PARK VETERINARY PRACTICE



A.B.N. 91 072 794 944

VETERINARY EXAMINATION FOR DYNAMIC SYNDICATIONS

At the request of Dynamic Syndications, a pre-sale veterinary examination of **Lot 196, ENCOSTA DE LAGO ex PETTA GAYE bay yearling colt**, brands as described in the 2012 Magic Millions Yearling Sale Catalogue, was carried out at the Sales Complex Bundall, Qld, on the 10th January 2012, prior to the commencement of the Magic Millions Yearling Sale.

Clinical Examination:

This colt was presented in excellent condition for inspection. He is a colt that stands over good ground. A free moving individual with an easy flowing action at the walk. He was athletic, well grown and strong. He was well conformed and well balanced with excellent rein. Both testicles were presented. This was a high quality yearling. The colt is still immature and will develop further. All clinical parameters were found to be within normal limits. He was examined in hand, and was found to be free moving. Stethoscope examination of heartbeat was normal. There was no clinical evidence of wear or injury to his extremities. There was no response to flexion tests.

Radiographic Examination:

Pre-sale there was a full set of radiographs available for inspection in the repository at the Magic Millions Sales Complex. Upon examination, there were no radiographic findings of any significance noted.

Endoscopic Examination:

Post sale the upper respiratory tract was examined endoscopically and the larynx and pharynx were found to be normal in appearance and function.

Conclusion:

In my opinion, at the time of this examination, **Lot 196 ENCOSTA DE LAGO ex PETTA GAYE 2010 bay yearling colt** is in so far as can be determined from the extensive examination conducted; suitable for racing and public syndication and as such, is therefore suitable for all risk mortality insurance cover. I confirm that I advised Dynamic Syndications that in my opinion this lot was suitable for their purchase.

Yours faithfully,

Dr. T.M.B. Roberts BVSc. MRCVS
18 January 2012

NB: This examination is valid for seven (7) days and is only for the use of the person requesting the examination. The issuer of this certificate has no financial interest in the above horse and no contract with any other third party. The issuer has a long standing relationship with Dynamic Syndications to provide a detailed veterinary assessment and specific advice on suitability of prospective yearling purchases at all yearling sales within Australasia.

Veterinary Surgeon: **Dr TMB ROBERTS BVSC. (SYD.) MRCVS**
Telephone: (02) 93606970 Facsimile: (02) 93806203 email: cpvp@bigpond.net.au
PO Box 535 Randwick NSW 2031 AUSTRALIA
www.equinevet.com.au

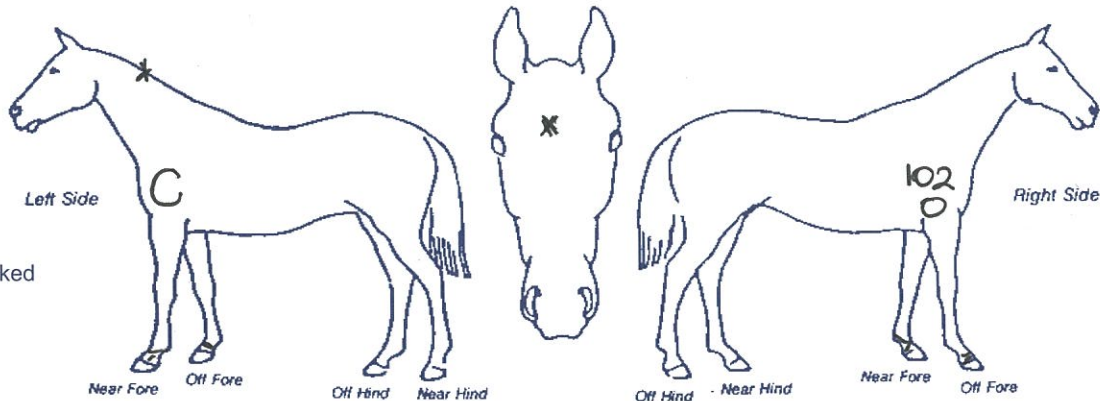
Certificate of Veterinary Examination of a Horse for Insurance



Cambridge
Equine Hospital

A division of Cambridge Veterinary Services (1980) Ltd

Horse's Name: UN-NAMED
Breed: THOROUGHBRED Sex: COLT Age: 2A/8/2010
Sire: ENCOSTA DE LAGO Dam: PETRA GAYE
Colour: BAY
Microchip Scanned: Yes ☒ No ☐
Microchip Number: 985100010967287



Whorls marked
as X

Markings:

Head: Whorl above eye level to R. of midline.

Limbs:

L.F. White half pastern to fetlock behind.

R.F. White coronet.

L.H. NIL

R.H. NIL

Body:

Brands: Left shoulder: C Right shoulder/Neck: 102 over O Fire ☐ Freeze ☒

Other markings:

This is to certify that at the request of (name and address) D. WATTS, DYNAMIC SYNDICATIONS,
AUSTRALIA

I have examined the horse described above, the property of (name and address) DYNAMIC SYNDICATIONS

at (place of examination) LYNDHURST FARM, CAMBRIDGE, NEW ZEALAND.

and at the time of examination conducted substantially in accordance with the standard procedure recommended by the New Zealand Equine Veterinary Association, the following signs of disease and/or injury were observed.

L Hock - graze marks dorsal aspect of
hock (22/11/12). Healing satisfactorily.
Subcutaneous fluid over left tuber ischii -
no associated clinical signs. Noted to windsuck.

Opinion: SUITABLE FOR MORTALITY INSURANCE PURPOSES.
NB. This examination is valid for seven days and is only
for the use of the person requesting the examination. The
issuer of this certificate has no financial interest in the
above horse or no contact with any other third party.

Date 26/11/12.

Time

Signed

Name

71 Racecourse Road

Veterinary Surgeons

■ J J Hope BVSc ■ P A Fraser BVSc ■ M K Brightwell BVSc(dist) ■ I H MacKay BVSc

■ L J MacGillivray BVSc ■ A M Hawker BVSc(dist) MACVSc ■ R G Hitchcock BVSc MRCVS

■ K R Dingemans BVSc MRCVS

■ B Fraser BVSc MSc Cert ES(Orth) Dipl. ECVS MRCVS, Registered Specialist in Equine Surgery

■ K Harman BVSc

P O Box 488

Cambridge 3450

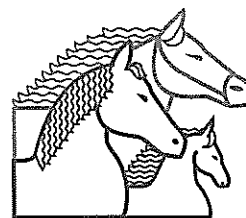
New Zealand

Telephone: +64 7 827 7097

Fax: +64 7 827 0694

Email: cambridgeeh@xtra.co.nz

26th November 2012



**Cambridge
Equine Hospital**

A division of Cambridge Veterinary Services (1980) Ltd

Mr D. Watts
Dynamic Syndications
Australia

RADIOGRAPH REPORT

Encosta De Lago / Petta Gaye 2010 colt

Lot 259 at the 2012 New Zealand Bloodstock Ready to Run Sales

I have reviewed a 34 view repository series for the above horse taken on 23/10/2012. In my opinion there are no significant findings in the above series

Dr. M.K. Brightwell BVSc (dist)

Ref: 12-906

IMPORTANT DISCLAIMER

These radiographs were taken as a survey of the most common sites for a lesion. They are not, nor are they meant to be a complete examination of the joints radiographed. They will identify approximately 90% of common lesions. To identify the remaining infrequent lesions or to provide complete coverage of all joints would require many more views. These survey views usually represent the best combination of coverage and economics. It is not a warranty of suitability, soundness or saleability. This report and the findings contained herein are solely for the addressee and may not be used or relied upon by any other person or entity. The interpretation of radiographs and findings may vary with the examiner and a horse's condition hence intending buyers should seek an independent review of the radiographic series from a veterinarian familiar with their particular requirements and expectations.

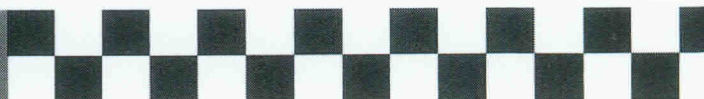
71 Racecourse Road
PO Box 488
Cambridge 3450
New Zealand

Veterinary Surgeons

J J Hope BVSc P A Fraser BVSc M K Brightwell BVSc (dist) I H MacKay BVSc L J MacGillivray BVSc
A M Hawker BVSc (dist) MACVSc R G Hitchcock BVSc MRCVS K R Dingemans BVSc MRCVS
B Fraser BVSc MSc Cert ES(Orth) Dipl. ECVS. Registered Specialist in Equine Surgery S P Christopher BVSc
C P Lawrence BVSc (dist)

Telephone: +64 7 827 7097
Facsimile: +64 7 827 0694

Email: cambridgeeh@xtra.co.nz



26 November 2012

Racing NSW
Level 7
51 Druitt St
SYDNEY NSW 2000

Re: Commitment to Train for DYNAMIC SYNDICATIONS

Dear Sir,

I wish to confirm that Dean Watt, on behalf of his company Dynamic Syndications, inquired if I was interested in training the following horse on their behalf:

2010 Bay Colt **ENCOSTA DE LAGO / PETTA GAYE**

I have agreed to train the above horse from my Rosehill stables in accordance with my standard terms of trade. These terms are available from my office upon request.

Further, my business practice is in accordance with Dynamic Syndications Product Disclosure Statement supplied with this horse.

I acknowledge that Dynamic Syndications employ Dr. Roberts as their contracted veterinarian. I am aware Dr. Roberts has seen this horse both at the sales prior to purchase where it passed a physical examination and its x-ray inspection were clear. I am aware the horse passed full inspection for syndication.

I offer this letter for inclusion with Dynamic Syndications Product Disclosure Statement for the above described horse. I advise I have had no financial interest with this horse prior to being asked to train it for Dynamic Syndications.

IMPORTANT NOTICE TO POTENTIAL INVESTORS:

* I advise all perspective investors that for full disclosure and the avoidance of any doubt, I was asked to train this horse for Dynamic Syndications, after it was purchased at the Magic Millions Yearling Sales on 18 January 2012.

* I had inspected the colt with Dean Watt at the Magic Millions. It was a quality yearling and was I was delighted to have been offered the colt to train.

* The horse having subsequently been educated and put into pre-training, I was advised by Dynamic Syndications that, on advice they had received, the horse was displaying well above average ability.

* I confirm that after a conversation between Dean Watt and myself, it was mutually agreed that the colt would not be syndicated at that time.

P O Box 3069
North Parramatta
NSW 1750
t. 61 02 9637 9652
f. 61 02 9760 2430
m. 0411 722 884
cwallerracing@bigpond.com
www.cwallerracing.com

* I was advised that the colt would be retained for the purpose of being offered at the NZ Bloodstock Ready To Run Sale in November where its potential racetrack ability could be displayed to investors, by breezing-up against the clock over 200m at Te Rapa Racecourse and then accurate comparisons could be achieved against all other horses catalogued in the sale.

* I confirm that I was aware it was always the stated business intention of Dynamic Syndications that if possible, the colt would be retained for syndication through my stable.

* I have viewed the breeze-up and was very impressed with the colt's exposed ability level noting he breezed up significantly quicker than the average time.

* I am aware that Dr Murray Brightwell from Cambridge Equine Hospital, checked the x-rays and inspected the horse at the saleyards and there were no issues of any concern noted.

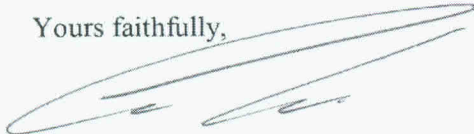
* I was present at the Sale in NZ where the horse was offered for auction and inspected him at the saleyard. I am aware it was passed-in for \$230,000 NZD with a Reserve Price of \$250,000 NZD.

* I confirm that this is a new concept from Dynamic Syndications to offer ready to run 2yo's for syndication which have displayed well above average potential and I endorse their concept. I am delighted to have access to such a high quality thoroughbreds for my stables.

* I am aware that Dynamic Syndications are offering investors an opportunity to race this colt and the share prices are 10% Shares at \$26,500.00 and 5% Shares at \$13,250.00.

I strongly endorse this new concept for syndicating young racehorses, because it has eliminated the significant majority of risks associated with purchasing yearlings. It has removed much of the guesswork by allowing the individual to display its ability, with full anticipation that there is significant upside available. I recommend potential investors give due consideration to this colt being offered by Dynamic Syndications under this concept with the colt's exposed ability. In my opinion, this allows all investors greater confidence in the product and offers full transparency and integrity in the processes involved.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Chris Waller', with a large, sweeping flourish extending from the end of the signature.

Chris Waller
Racehorse Trainer

CHRIS WALLER RACING

18 January 2012

Racing NSW
Level 7
51 Druitt Street
SYDNEY NSW 2000

Dear Sir,

RE: Commitment to Train for DYNAMIC SYNDICATIONS

I wish to confirm that Dean Watt, on behalf of his company Dynamic Syndications, inquired if I was interested in training the following horse on their behalf.

2010 Bay Colt Encosta De Lago / Petta Gaye

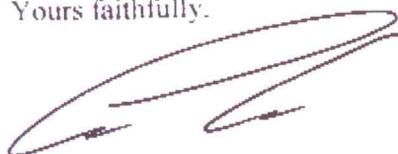
I have agreed to train the above horse from my stables at Rosehill in accordance with my standard terms of trade. These terms are available from my office upon request.

Further, my business practice is in accordance with the Product Disclosure Statement supplied with this horse.

I acknowledge that Dynamic Syndications employ Dr Tim Roberts as their contracted veterinarian. I am aware Dr Roberts has seen this horse both at the sales prior to purchase where it passed a physical examination and its x-ray inspection were clear. I am aware the horse passed full inspection for syndication.

I offer this letter for inclusion with Dynamic Syndications Product Disclosure Statement for the above described horse. I advise that I have had no previous association or any financial interest with this horse prior to being asked to train it for Dynamic Syndications.

Yours faithfully,



Chris Waller
Racehorse Trainer

P O Box 3069
North Parramatta
NSW 1750

t. 61 02 9637 9652

f. 61 02 9760 2430

m. 0411 722 884

cwallerracing@bigpond.com

www.cwallerracing.com



Logan Livestock Insurance Agency Pty Ltd

ABN 81 001 826 204

www.logans.com.au

AFS Licence No. 238959

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

26/11/2012

Dynamic Syndications
PO Box 2324
Taren Point NSW 2229

MEMORANDUM OF INSURANCE

Policy No: L089483

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

Interest: Unnamed (Lot 196 MMYs)
2010 Bay T.Bred Colt
Encosta De Lago/Petta Gaye

Use: Rearing/Flatracing

Limit of Liability: Aud\$265,000 being 100%

Period: 1 November 2012 to 30 March 2013 at 4.00pm

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

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.





Logan Livestock Insurance Agency Pty Ltd

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21 PARRAWTEEN 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

19/01/2012

Dynamic Syndications
PO Box 2324
Taren Point NSW 2229

MEMORANDUM OF INSURANCE

Policy No: L089483

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

Interest: Unnamed (Lot 196 MMYS)
2010 Bay T.Bred Colt
Encosta De Lago/ Petta Gaye

Use: Rearing/Flatracing

Limit of Liability: Aud\$216,500 being 100%

Period: 12 January 2012 to 1 November 2012 at 4.00pm

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.





27 November 2012

Mr D Watt
Dynamic Syndications.
PO Box 2324
TAREN POINT NSW 2229

Dear Mr Watt

RE: Product Disclosure Statement for 2010 Bay Colt by ENCOSTA DE LAGO from PETTA GAYE

The disclosure material lodged in respect of the above racehorse has been examined and appears to comply with the provisions required by the Australian Securities & Investments Commission.

Approval is hereby granted for the promotion to proceed.

This approval is conditional on the following:

- i) that all advertisements in respect of the scheme are submitted to Racing NSW for approval; and
- ii) that advertisements are NOT published until Racing NSW approval has been granted.

Note advertisements include Print Media, SKY Channel/TVN, radio, website and all other advertisements.

Yours faithfully

**Clare Wilson
For Racing NSW**