

Breeding Incentive Scheme Terms and Conditions 2022

Overview of the Scheme

HRNZ is pleased to announce the terms and conditions associated with the recently announced Breeding Incentive Scheme ("BIS"). The scheme is intended to support the Harness Racing Industry in New Zealand and is targeted at increasing the number of Standardbred horses participating in our industry. It will operate for the 2022/23 breeding season and be reviewed to see if it is 'fit for purpose' - HRNZ reserves the right to remove, adjust or confirm the BIS thereafter.

The scheme involves HRNZ making Breeding Incentive Payments ("BIP") to Breeders that have met the BIS scheme criteria. The BIP is a maximum of \$1,000 or \$3,000 (plus GST if any) per pregnancy/microchipped foal.

We recognise that this is a serious and significant intervention into the Standardbred horse breeding market. We respect the independence and autonomy of the participants in that market, and we wish to ensure that our efforts do not distort or otherwise impact on breeding pricing, participation, and fee structures. To that end, we are setting up key elements of the scheme to reflect the position as at the start of the breeding season - 1 August 2022. We are doing this intentionally to ensure that the BIS has the impact we hope for (and can measure) without it simply being 'swallowed' by inflation and changing business structures. These matters will also be considered in the one-year review.

We understand that some participants may need to update lease / ownership changes as part of this process. This will ensure accurate Breeder and Stud information at the start of the Scheme. To that end, HRNZ will allow participants to update these positions until Wednesday 30 November 2022 without cost - but only for those whose changed situation occurred prior to 1 August 2022.

We realise that there may be genuine business or personal reasons why a Stud or a Breeder needs to adjust their breeding lease/ownership status from the start of the breeding season. Where you believe that such circumstances apply to you, you may apply to the CEO of HRNZ for special recognition of your changed position. Such an application will need to be made in writing, with supporting information, and will be determined by the CEO. Such a determination will be final, and no correspondence will be entered.

To be eligible for the BIS, you will be required to provide us with information to assist us in our campaign to promote breeding. As part of this, you agree to assist us in establishing the base number of mares bred in previous seasons (i.e., foal drops in the following year) as a breeding entity.

HRNZ has budgeted a total of \$1.85m for the BIS. This is a significant sum of industry funding and needs to be balanced against the other costs and investments made in Harness Racing. As such, HRNZ reserves the right to suspend the BIS in the event that the total budgeted amount for the season is reached. At that time, HRNZ would review the success of the scheme and consider whether it should be continued with additional funding.

We note that with any new and significant undertaking, there may be matters that simply have not been contemplated at the time of drafting this new policy and its associated terms and conditions. Where it becomes clear - in the view of the HRNZ CEO - that a matter was not reasonably contemplated or prepared for in the BIS, then HRNZ reserves the right for the CEO to properly investigate and determine that matter and for that to be a full and final settlement of the issue.

Finally, all applicable terms and requirements of the Rules of Racing remain operative and in place, especially in respect of welfare and registration.

Specific Terms:

1. General terms

- 1.1. The BIP is paid to the Breeder by HRNZ in return for the Breeder agreeing to provide information and undertaking the actions to meet the eligibility criteria (“the supply”) to HRNZ as noted in these terms.
- 1.2. The BIP is in New Zealand dollars plus GST if any.
- 1.3. HRNZ reserves the right to suspend the BIS if the total budgeted amount for the season is reached.
- 1.4. HRNZ will provide the BIP to the Breeder following receipt of the requested information including confirmation that the Breeder has paid the full Stallion Service Fee/Frozen Semen Fee payable to the Stud (as agreed in the contract between the Stud and the Breeder) on the timing outlined further in these terms.
- 1.5. Breeders are responsible for returning GST as applicable in respect of the BIS.
- 1.6. HRNZ will make pay the BIP to Breeders on the 20th of the month following application to the BIS provided that all requested information has been provided by the Breeder and the Breeder has meets the eligibility criteria as outlined in these terms.

2. Value of BIP payable each year

If the relevant criteria as outlined in these terms are met, the BIP payable is calculated in accordance with the below methodology:

In these terms, the 2022/2023 Breeding Season runs from 1 August 2022 to 31 March 31 March 2023 and the 2023/2024 Breeding Season runs from 1 August 2023 to 31 March 31 March 2024

2.1. 2022/2023 Breeding Season

2.1.1. Breeders are entitled to:

- a BIP of a maximum \$1,000 (plus GST If any) per microchipped foal born from 1 August 2022 to 31 March 2023 if:
 - a Mare is put back in foal and has a 42-day positive pregnancy test
 - and the 2022/2023 service fee has been paid in full by the Breeder to the Stud
- BIS result is another foal being bred this year.

- a BIP of a maximum \$3,000 (plus GST If any) per additional Mare bred in 2022/2023 (which is payable upon that Mare in the 2023/24):
 - if the mare has a microchipped foal born 1 August 2023 to 31 March 2024
 - and a mare is put back in foal and has a 42-day positive pregnancy test
 - and the 2022/2023 and 2023/2024 service fees have been paid in full by the Breeder to the Stud.

BIS result is two foals being bred for the \$3000 BIP over two years.

Breeders who did not produce any microchipped foals in the 2022/2023 Breeding Season are entitled to:

- a BIP of a maximum \$3,000 (plus GST If any) per Mare bred in 2022/2023 (which is payable upon that Mare in the 2023/24):
 - if the mare has a microchipped foal born 1 August 2023 to 31 March 2024
 - and a mare is put back in foal and has a 42-day positive pregnancy test
 - and the 2022/2023 and 2023/2024 service fees have been paid in full by the Breeder to the Stud.
- BIS result is two foals being bred for the \$3000 BIP over two years.

2.2. Limitation on value of BIP

2.2.1. The values noted above are the maximum amounts payable per 42-day pregnancy test.

2.2.2. The BIP payable is limited to the value of the Stallion Service Fee / Frozen Semen fee paid by the Breeder to the Stud in respect of the relevant pregnancy, either:

- For the \$1,000 (plus GST if any) BIP, the Stud Fees as at 1 August 2022 as advertised in the Register of Standardbred Stallions of New Zealand for 2022/2023.
- For the \$3,000 (plus GST if any) BIP, the Stud Fees as at 1 August 2023, as advertised in the Register of Standardbred Stallions of New Zealand for 2023-2024.

2.2.3. Breeders are not able to aggregate Stallion Service Fees /Frozen Semen fee across Mares to increase the amount payable under the BIS.

2.2.4. Breeders are only entitled to the BIP if the full Stallion Service Fee/Frozen Semen fee has been paid to the Stud.

2.2.5. The BIP is payable upon any Mare receiving a positive 42-day pregnancy test.

2.2.6. Stallion Service Fees/Frozen Semen Fees in this clause include only advertised service fees or breeding entitlements relating to these service fees. It does not apply to free return services or services where there are no advertised service fee or other consideration payable

3. Breeder obligations

- 3.1. Breeders are required to provide all breeding information requested by HRNZ.
- 3.2. Breeders are required to ensure that their current bank account details are with HRNZ are correct no later than 31 May 2023. Failure to do so will mean that the Breeder is not entitled to a BIP.
- 3.3. Breeders accept that they may be randomly audited to ensure that the BIS terms and conditions have been adhered to. Failure to fully comply with such an audit will mean removal from the BIS.
- 3.4. A Breeder is required to return the BIP to HRNZ in the event a live foal is not produced and when either:
 - The Breeder does not use the free return of service provision in its contractual agreement with the Stud; or
 - The service fee is paid back to the Breeder by the Stud.
- 3.5. Breeders are required to provide HRNZ with confirmation of whether they are GST registered and if so their GST registration number. Breeders must advise HRNZ if this information changes at any time.

4. Invoicing, documentation, and GST

- 4.1. If Breeders are GST registered, HRNZ will issue a buyer created tax invoice (BCTI) / buyer created taxable supply information (BCTSI) to the Breeder within 28 days of any BIP being paid. The BCTI/BCTSI will show the GST payable by the Breeder in respect of the BIP.
- 4.2. If Breeders are not GST registered, HRNZ will issue remittance advice to the Breeder within 28 days of any BIP being made.
- 4.3. HRNZ will issue a credit note / supply correction information if for any reason the BIP is repaid.
- 4.4. Breeders agree that they will not issue tax invoices or taxable supply information to HRNZ.
- 4.5. Breeders confirm that they will retain a copy of the documentation issued by HRNZ in respect of the BIS when it is provided by HRNZ.