

Less Risk, MORE REWARD

Get the Most Out of Your NEXT LEASE BY ARMAND LEONE

Leasing is an attractive alternative to buying or selling a horse for many riders and owners because it is able to accommodate a wide range of needs. As with any form of contract, leases vary in complexity depending on the particular needs of the individuals involved, from simple form agreements to detailed individualized provisions. These documents can be complex – what is the level of the horse? How much money is involved? How much risk are the lessor and lessee willing to take? These questions and more help to determine how in-depth the lease agreement document needs to be. This is important because leases effectively reallocate risks and rewards between otherwise traditional horse sellers and buyers. This article looks at ways that lessors and lessees can work through some common lease problems that may otherwise prevent a pairing.

TO BUY OR TO LEASE?

Leases effectively increase a purchaser's "buying" power by a factor of 5, 10 or more while reducing risk. Purchasing a top hunter or equitation horse can cost up to \$200,000, which is cost prohibitive for many parents, let alone parents whose children are looking to ride for only one or two years before going off to college. If they have to purchase the horse for a last junior year, the horse will then have to be

sold at the end. Board and training costs at the top levels easily add another \$25,000 in annual cost, which parents have to carry until the horse is sold. After the child goes to college, the parents are left with little control or input over the sale of the horse, pay ongoing costs and get minimal to no enjoyment out of it. If the horse is injured, they are left with continuing bills and a horse they cannot sell.

Leasing a horse changes all of this and can provide benefits for both sides. Top equitation horses can be leased in the general range of \$2,500 to \$6,000 per month and offer a very attractive alternative for parents who want to give their child an opportunity to compete at the top level for a year or two. Lessor riders pay a premium for the shorter use of a top quality horse, and lessen their risk of being left with an injured horse they can't sell and get to stop paying bills when it's over. Owners receive a premium price per month and relief from all interim bills during the lease and get the horse back at the end. The owner's reward and risk is that if the horse does well and stays healthy during the lease, the owner gets to re-lease the horse for another period at a premium price, while if the horse does poorly or is injured, the owner is stuck with the cost of rehabilitation and possibly retirement.

MORE HORSES TO GO AROUND

All leases deal with the basic terms, such as the parties, the horse, the term, the money and insurance coverage, but some situations are not easily captured with standard clauses. Because it is difficult to find a perfectly suited, sound horse within an acceptable price range, there are two situations that often arise and require special handling: a known pre-existing but now "healed" injury and the older "been there, done that" horse.

A rider can lease a horse that will not pass a pre-purchase exam because of an old injury, if it is otherwise appropriate for the rider and sound. The concept of serviceably sound is not the same as a horse that vets clean. Horsemen know that many horses are capable of returning to the show ring after rehabilitation from an injury, but are not easily sold despite their ability to perform at the highest level because there is always risk of re-injury. Rather than retire them to the field, such horses can be wonderful horses for lease provided the risk of re-injury is addressed. When the vet exam identifies an old injury that is a risk of re-injury, the release should provide an escape clause for the lessor if the horse becomes unable to compete for that reason. The lease allows the lessor to return the horse to



the owner rather than continue to pay costs. The lease payments can be made short term with multiple options to renew, so as to limit the lessor's risk of monetary loss if the horse becomes lame. Alternatively, the lease can have a non-refundable payment and a payment that is conditional upon the horse remaining sound through a specific date or even end of the lease. These arrangements can allow the matching of more good horses and riders than would otherwise be possible if a pre-purchase level veterinarian clearance is required.

Owners can use the lease to protect older horses and those with old injuries and still allow these horses to provide excellent opportunities for deserving riders. The acceptability of a lease deal should be very dependent on the owner's assessment of the trainer who will be responsible for the horse while in the lessor's care. A horse that requires management should only be leased under circumstances where the owner knows the trainer in charge is capable of providing it, and leases should specify who the trainer responsible for the horse will be. The lease should also indicate who can ride the horse, such as only the rider of interest, the trainer and others authorized by the trainer. The owner may need to specify the maximum

height the horse may compete over and other limitations important to proper management, such as a maximum number of shows per month. A lease can also protect the owner's horse from abusive treatment by specifying the trainer and riders, as well as placing appropriate limitations on the horse's use to prevent breakdown. Provisions such as these prolong the useful life of many excellent horses who are in the latter halves of their careers.

In a perfect world, there would be enough horses to go around for everyone, but top performers in any division are hard to find at any price. Finding one without a blemish reduces the numbers further. Leases allow more horses to perform for more years with more riders than would otherwise be possible. Provided risk is apportioned appropriately, leases can be a win for the owner, the rider, and the horse.

Have questions or need legal help with your next horse transaction? Leone Equestrian Law is available for consultation at 201.444.6444 or Info@EquestrianCounsel.com. Visit equestriancounsel.com or Leone Equestrian Law on Facebook for more information.