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STALLION SYNDICATION AGREEMENT
FRACTIONAL INTEREST NO. (1) OF 40

THIS SYNDICATE AGREEMENT (this "Agreement") is made and entered into as of the ____ day of _____, 200__, by and among:

1) _____, an individual whose address is _____; and _____ (hereinafter referred to collectively as the "Initial Owners" and each individually as an "Initial Owner"); and

(2) _____, whose address is _____, hereinafter "_____" or sometimes referred to in such capacity as the "Syndicate Manager").

All subsequent purchasers of fractional interests in the stallion hereinafter named {the "Purchaser(s)"} shall be bound by and subject to all the terms and conditions of this Agreement. All persons who, at any time, own a fractional interest in the stallion, whether such persons are Purchasers or the Initial Owners shall hereinafter be referred to collectively as the "Members" or "co-owners".

WITNESSETH:

WHEREAS, the Initial Owners are the present owners of the entire interest in and to the Thoroughbred, _____, 20__ by _____ out of _____ by _____ ("HORSE");

WHEREAS, the Syndicate Manager desires to act as Syndicate Manager of **HORSE** and perform all the duties connected with such position;

WHEREAS, the Initial Owners desire to divide the ownership interests in **HORSE** into forty (40) equal undivided fractional interests (hereinafter the "Fractional Interests"), to form a syndicate of owners of Fractional Interests (hereinafter "Syndicate") and to enter into this Agreement to provide for the respective rights and obligations of the co-owners (including their respective right to sell or otherwise dispose of their respective Fractional Interests), to govern the maintenance and standing of **HORSE** for breeding purposes and to provide for the management of the Syndicate so created, by designating _____ to act as the Syndicate Manager thereof.

NOW, THEREFORE, in consideration of the premises, and the mutual covenants and agreement herein contained, the parties hereto agree as follows:

1. SYNDICATION OF HORSE.

Upon the execution of this Agreement, ownership of **HORSE** shall be divided into the forty (40) equal undivided Fractional Interests described above, which shall be evidenced by copies of this Agreement serially numbered one (1) through forty (40), inclusive, and which are held by the Members as tenants in common. Each Fractional Interest shall represent an undivided one-fortieth (1/40th) interest in and to **HORSE**, shall be indivisible, shall be entitled to equal rights and privileges and shall be subject to equal duties and obligations, and shall be subject to all of the terms and conditions of this Agreement. If any Fractional Interest shall be owned jointly by two or more parties, the Members and the Syndicate Manager shall be entitled to deal with and accept and rely upon and act upon any information, instructions or facts represented by any one of such persons. If a Fractional Interest is held by a corporation, partnership or similar entity, the Members and the Syndicate Manager shall be entitled to deal with and accept and rely upon and act upon any information, instructions or facts represented by any officer of the corporation or general partner of a partnership. Only a full Fractional Interest shall have any rights hereunder.

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Upon execution of this Agreement, the Syndicate Manager shall issue and deliver Fractional Interests one (1) through forty (40), inclusive, to the Initial Owners as follows: Fractional Interests one (1) through twenty-four (24), inclusive, to _____, _____, all to evidence the respective ownership established by this Agreement.

2. EFFECTIVE DATE.

The syndication of the ownership of **HORSE** and the terms and conditions of this Agreement shall be effective and binding immediately upon the execution of this Agreement and by the parties hereto.

3. RETIREMENT AND LOCATION OF HORSE.

HORSE has been retired from active training and racing and will be located at _____ and shall, from and after the date of this Agreement, stand at stud at _____ under the supervision and management of the Syndicate Manager pursuant to, and subject to, all of the terms and conditions of this Agreement.

4. MEMBERS OF THE SYNDICATE.

(a) **Transferability of Fractional Interest.** Each Fractional Interest shall be transferable by the Initial Owners or Purchaser thereof subject to all of the provisions of this Agreement. Any of the forty (40) Fractional Interests retained by the Initial Owners shall be subject to all of the provisions of this Agreement, except as specifically set out herein.

(b) **Membership in Syndicate.** Each person or entity which acquires a Fractional Interest shall become a member of the **HORSE** Syndicate. The use of the term "Syndicate" to refer to the aggregate of persons owning **HORSE** as tenants in common pursuant to this Agreement is solely for convenience, and is not intended, and shall not be deemed to imply that such Syndicate constitutes a partnership, association, legal person or jural entity.

(c) **Rights and Obligations of the Co-Owners.** The specific rights and obligations of the Members shall be as set forth in this Agreement, including the following:

(1) Each Member, in each breeding season, commencing with **HORSE's** first breeding season, shall be entitled to one (1) free nomination (as hereinafter defined) to **HORSE** for each Fractional interest owned by him, subject to the provisions of Section 8 hereof. There shall be no accumulation of nominations from breeding season to breeding season, and no return in a subsequent breeding season to **HORSE** for a mare bred to **HORSE** that fails to produce a live foal, or for any other reason. Any such nomination not used or availed of in any one breeding season shall not be carried over into any subsequent breeding season, but shall be lost. A nomination derived from a Fractional Interest for the current breeding season and the breeding season immediately following the current breeding season may be sold, transferred or otherwise disposed of by the holders thereof and their heirs, successors and assigns, and shall not be subject to the right of first refusal set forth in Section 12 hereof. However, any nomination derived from such Fractional Interest for any breeding season other than the current breeding season or the breeding season immediately following the current breeding season shall be subject to such right of first refusal.

A "nomination" for purposes of this Agreement is for the right to breed one (1) thoroughbred mare to **HORSE** in a breeding season (whether such right arises by virtue of ownership of a Fractional Interest or any other breeding right provided for herein); provided, however, that without the consent of the Syndicate Manager, no mare shall be covered by **HORSE** more than five (5) breeding cycles in any one breeding season under any individual nomination. Once a mare has been covered by **HORSE** in any one breeding season, the nomination shall be deemed used for that season, and no other mare may be substituted for breeding to **HORSE** on such nomination during that breeding season, except that, with the approval of the Syndicate Manager, such substitution may be permitted in event of the death of, or breeding unsoundness of, such mare or the breeding unsoundness of **HORSE** at the time such mare is presented for a subsequent breeding, provided such mare has not been examined and found to be in foal, each such substitution to be granted upon and subject to such terms

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and conditions as the Syndicate Manager may impose in granting approval of such substitution. The decision of the Syndicate Manager with respect to covers and substitution shall be final and conclusive.

As used in connection with the transfer of a nomination, whether derived from a Fractional Interest or from a Breeding Right granted pursuant to Section 10, the term "current breeding season" shall mean the breeding season occurring in the calendar year in which the transfer occurs, unless the nomination attributable to such Fractional Interest or Breeding Right granted pursuant to Section 10 for that season has been lost or used, in which event the current breeding season shall be the breeding season occurring in the immediately following calendar year.

(2) Each Member shall be responsible for securing a veterinary examination for pregnancy of each mare bred on a nomination attributable to the ownership of a Fractional Interest, and obtaining from such examining veterinarian and furnishing to the Syndicate Manager, prior to September 1 of the year bred, a certificate certifying whether the mare is believed to be pregnant or barren to the cover(s) of **HORSE**.

(d) **Relationship of the Members Among Themselves and to the Syndicate Manager**. The relationship of the Members among themselves shall be that of tenants in common of a chattel (**HORSE**), the right to possession of which shall be vested in the Syndicate Manager, subject only to the right of the Members to remove the Syndicate Manager as set forth herein. The relationship of the Members to the Syndicate Manager shall be that of principals and agent as limited by the terms and conditions of this Agreement, which the agency of the Syndicate Manager being one that is coupled with an interest in the subject matter of the agency during any period in which **HORSE** shall stand and be maintained under the care of the Syndicate Manager. The Syndicate Manager shall be expressly permitted to conduct any other business activities and to accept any other engagements, including, without limitation, the management of other stallions, the purchase, sale, racing and breeding of the thoroughbreds, or any one or more of them.

5. PURCHASE AND SALE OF FRACTIONAL INTERESTS.

(a) **Generally**. Fractional Interests in **HORSE** shall be transferred only in accordance with the terms of this Agreement, and, in particular, subject to the provisions of Section 12 hereof.

(b) **Transfer of Ownership**. Each Agreement shall be executed in triplicate and the original shall always remain in the files of the Syndicate Manager. Each Member shall receive and keep a duplicate for so long as he owns the Fractional Interest. The third copy of this Agreement shall be retained by the Initial Owners for their files. Each Agreement shall be attached to a certificate executed by the Syndicate Manager, in the form attached hereto as Exhibit "A".

(c) **Form of Transfers**. For any subsequent transfer of a Fractional Interest, the selling Member and his transferee shall execute three (3) **HORSE ASSIGNMENT OF FRACTIONAL INTEREST** forms {"the assignments"}, in the form attached hereto as Exhibit "A". Provided by the Syndicate Manager. The selling Member shall forward all three (3) assignments along with his copy of this Agreement to the Syndicate Manager. All three (3) assignments must be signed by the selling Member and the transferee before delivery to the Syndicate Manager.

Upon receipt of the duly executed assignment, the Syndicate Manager will sign all three (3) assignments, and it will then forward one (1) copy of the executed assignment along with the selling Member's copy of this Agreement to the transferee. He will retain the other copy of the executed assignment in his Syndicate files, and will mail a copy of the executed assignment to the selling Member to evidence that the transfer has been completed.

No transfer of a Fractional Interest shall be effective as against the Members and the Syndicate Manager until the Syndicate Manager has executed the assignments and been provided with a copy of an instrument setting forth the price, terms and conditions of the sale between the selling Member and his transferee

6. SYNDICATE MANAGER AND STANDING HORSE.

_____ shall act as the Syndicate Manager and **HORSE** shall stand for breeding purposes and

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shall be kept and maintained at _____ in _____ County, Kentucky (the "Farm") for **HORSE**'s first and subsequent breeding seasons. The Syndicate Manager may resign at any time, upon ninety (90) days' written notice to all Members, provided that such resignation shall not become effective during the period commencing on February 1 and ending on June 30 of any year, in which event the Members shall determine by a majority vote of the Fractional Interests the person or entity to act as Syndicate Manager and the location at which **HORSE** shall stand. The Syndicate Manager may be removed and **HORSE** may be moved to stand elsewhere than at the Farm, only if the owners of more than eighty percent (80%) of the Fractional Interests consent in writing or vote to do so.

7. DUTIES, RIGHTS AND AUTHORITY OF SYNDICATE MANAGER. The Syndicate Manager shall have the following duties, rights and authority in addition to those provided elsewhere in this Agreement:

(a) **General.** The Syndicate Manager shall have all reasonable authority and discretion with respect to the keeping, maintenance, care, management, breeding, advertising, promotion and handling of **HORSE**, the disbursement of funds which may be necessary to, or in furtherance of, the objectives contemplated by this Agreement and all bookkeeping, accounting and legal matters pertaining to the operation of the Syndicate, including, without limitation, (i) the selection of a veterinarian to attend **HORSE**, (ii) determining, subject to the provisions of Section 8 hereof, when, on a fair and equitable basis, the mares to be serviced by **HORSE** shall be so serviced and whether the mares and **HORSE** are in suitable condition for breeding, and (iii) the keeping of books and records for the Syndicate, and the filing of reports of operation for the Syndicate, as required by this Agreement. The Syndicate Manager shall be entitled to determine the dates for the commencement and ending of each breeding season.

In the event of an emergency brought on by injury or illness the Syndicate Manager shall have total discretion in determining, with the advice of qualified veterinarians, whether **HORSE** should be destroyed or otherwise rendered incapable for future breeding, on account of injury or illness, and the Syndicate Manager shall not be liable to any Member or any other person for the good faith exercise of such discretion, regardless of whether or not the Member has obtained insurance. Provisions of certain insurance policies purchased by the Members may provide that the insurance carriers shall have the right to exercise sole and absolute discretion concerning the control of **HORSE** (including control of the treatment, location, use, retention and/or disposal of **HORSE**) in the event of sickness of, or accident to, **HORSE**. The Syndicate Manager shall not be bound by, and shall have no obligation or liability from failing to abide by, any such provisions. The Syndicate Manager may, however, in its sole and absolute discretion, nevertheless allow the insurance carriers to exercise such policy provisions relating to control and shall be no liability for or obligation with respect to any action taken by such carriers or their representatives. Nothing in this paragraph shall be construed to divest any Member of his Fractional Interest.

(b) **Standard of Care.** The Syndicate Manager shall employ the degree of care customarily employed in Kentucky by persons who keep and breed Thoroughbred stallions. The Syndicate Manager shall not be liable for loss of, theft of, or injury to **HORSE** to anyone other than a Member who establishes by clear and convincing evidence that such degree of care has not been employed. Any liability of Syndicate Manager for any Member shall be offset by any insurance proceeds available to such Member, and the insurance carried by any Member shall contain waivers of subrogation with respect to the Syndicate Manager. The Syndicate Manager shall not be responsible for any injury, disease or death of any mare resulting from breeding or attempting to breed to **HORSE**. The Syndicate Manager shall be entitled to rely upon the person presenting any mare for breeding as to the identity of such mare.

(c) **Public Liability Insurance.** The Syndicate Manager shall keep and maintain in full force, as an expense of the Syndicate, a policy of public liability insurance in a reasonable amount, providing the same can be obtained, insuring the Members, the Syndicate Manager and the Farm against loss or liability by reason of the negligence of the Syndicate Manager, or the Farm, their agents, servants, and employees, in the keep, maintenance, and standing of **HORSE**.

(d) **Books and Records.** Separate books and accounts shall be kept and maintained by the Syndicate Manager at the Farm which shall accurately reflect the mares to which **HORSE** has been bred, the number of covers per mare and the dates thereof, the results of the breedings, and all disbursements in connection with maintaining and breeding **HORSE** and the operation of the Syndicate, and such books and records shall be open to inspection by the Members during reasonable

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business hours. The Syndicate Manager shall furnish each Member, as soon after each calendar quarter as is reasonably practicable, an invoice showing (i) all the costs and expenses incurred during that calendar quarter in connection with the breeding, maintenance and care of **HORSE**, (ii) the prevailing rate in the Central Kentucky area for stallion keep, and (iii) the nomination fees and other expenses incident with the operation of the Syndicate as provided therein. The Members to whom an invoice is furnished shall pay the amount shown to be due thereon within thirty (30) days after the date of such invoice. A service charge of one and one-half percent (1 ½%) per month may be made by the Syndicate Manager on all past due accounts.

On or before December 1 of each year the Syndicate Manager shall furnish each Member with a statement showing the results of the preceding breeding season and such other information as the Syndicate Manager may deem pertinent.

(e) **No Duty to Sell Nominations.** The Syndicate Manager shall not be obligated or expected to sell nominations for the account of the Members.

(f) **Stallion Service Certificates.** The Syndicate Manager shall cause to be issued, in a form acceptable to the Jockey Club, stallion service certificates required for the registration of foals out of mares bred to **HORSE**, subject to the provisions of (g) immediately below.

(g) **Security.** The Syndicate Manager shall be entitled to and shall have a lien under §376.400 and §376.410 of the Kentucky Revised Statutes upon and is granted a security interest under the Uniform Commercial Code of Kentucky in any Fractional Interest in **HORSE** as to which any portion of the charges, costs and expenses due and owing to the Farm or the Syndicate Manager by the Member owning such Fractional Interest have not been paid. The Syndicate Manager shall be entitled to commence legal action upon ten (10) days prior written notice to a Member, the date of such notice being the date upon which the cause of action for nonpayment shall be deemed to occur. In the event the default shall continue for a period of twelve (12) months, commencing on the last day of the first quarter for which the Member shall be in arrears, the Syndicate Manager shall be entitled to sell the Fractional Interest, as agent and attorney-in-fact, for the Member who is in default. In addition, the Syndicate Manager may withhold stallion service certificates and may refuse to permit a mare to be bred on any season attributable to a Fractional Interest or breeding right, the owner or transferee of which is (i) in arrears on amounts payable by such person pursuant to this Agreement; or (ii) is in arrears on any other amounts payable to the Syndicate Manager, including amounts payable in connection with a stallion other than **HORSE**; or (iii) who fails to furnish evidence, acceptable to the Syndicate Manager, either (a) that the uses of any Nomination or breeding right by the holder thereof is not subject to any sales and use taxes or other taxes imposed by the Commonwealth of Kentucky or other jurisdiction, or (b) that all such taxes have been paid.

(h) **Powers of Attorney.** In accordance with, and subject to the terms and limitations hereof, each Member authorizes and empowers the Syndicate Manager, and constitutes and appoints the Syndicate Manager as his agent and attorney-in-fact, (i) to execute and deliver stallion service agreements, and generally to do and file on behalf of such Member such things as the Syndicate Manager shall deem necessary or appropriate with the Jockey Club, and (ii) to execute such elections as may be required by the taxing authorities of the United States and as may be provided herein.

(i) **Allocation of Monies.** The Syndicate Manager shall allocate to the account of each Member such Member's proportionate share of (i) any receipts from the sale by the Syndicate Manager of excess nominations on behalf of the Syndicate in an excess book and (ii) any stallion awards attributable to **HORSE** received by the Syndicate Manager from Breeders' Cup Limited, and any other stallion program to which **HORSE** may be nominated. In the event of a transfer of a Fractional Interest, such allocation shall be made to the Member of record of the Fractional Interest, in the case of receipts in an excess book, to the Member of record as of 5:00 p.m., EST on February 15 of the applicable breeding season unless otherwise provided for in the terms of sale for such Fractional Interest, and in the case of receipt of stallion awards, to the Member of record on the last day of the calendar quarter in which such receipt shall occur.

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(j) **No Liability to Third Parties.** The Syndicate Manager shall have no duty to note or record third party claims of ownership or other rights, including without limitation, security interests, in and to Fractional Interests, breeding rights or any other interest or right created pursuant to this Agreement. The Syndicate Manager shall be entitled to rely upon directions given by the record owner of any such rights, as determined by the records of the Syndicate Manager, notwithstanding actual or constructive notice of purported third party rights in and to such interests.

8. BREEDING HORSE.

HORSE shall serve mares during the customary breeding season, subject, however, to the following terms, conditions and limitations:

(a) **Normal Book of Mares and Nominations.** The normal book of mares to which HORSE will be bred during all breeding seasons (hereinafter the "normal book") shall be forty-seven (47) mares and shall consist of (i) one (1) thoroughbred mare nominated by each Member, (ii) four (4) thoroughbred mares nominated by the Syndicate Manager pursuant to Section 9 hereof, (iii) two (2) thoroughbred mares nominated pursuant to Section 10 hereof, and (iv) one (1) thoroughbred mare nominated by an entity or individual acquiring the Breeder's Cup Nomination from the Syndicate. Nominations for the current breeding season and the breeding season immediately following the current breeding season may be sold, exchanged, traded or otherwise transferred or assigned if written notice of such transfer is given to the Syndicate Manager within four (4) days prior to the breeding of the mare.

(b) **Reduced Book of Mares.** Should the Syndicate Manager in its sole discretion after consulting the veterinarian attending HORSE, determine that HORSE may not be bred to the normal book of mores during any breeding season, the Syndicate Manager shall determine the number of mares to which HORSE may be bred, and HORSE shall be bred only to such reduced number of mares (hereinafter the "reduced book"). The determination of the Syndicate Manager respecting same shall be conclusive. The Syndicate Manager's nominations as defined in Section 9 below and the Breeders' Cup nomination as defined in Section 11 (e) below shall be exempt from jeopardy by reason of a reduced book. If such determination is made prior to commencement of the breeding season, those entitled to participate in a reduced book, and the extent of their participation therein, shall be determined by lot, with each Fractional Interest and holder of a Breeding Right granted pursuant to Section 10 being entitled to one draw. Notice of the fact that there will be a reduced book, the number to which the book is to be reduced, and the time and place of the drawing shall be sent by the Syndicate Manager to each Member and holder at least fifteen (15) days prior to the drawing. Each Fractional Interest or holder of a Breeding Right granted pursuant to Section 10 that has been excluded from participating in a reduced book shall not be subjected to the risk of a drawing in any subsequent breeding season for which there is a reduced book until all Fractional Interests and holders of Breeding Rights granted pursuant to Section 10 shall have been excluded from participating in reduced books. If such determination is made after commencement of a breeding season, the Syndicate Manager may make such allocation of nominations and proceeds from the sale thereof by the Syndicate Manager as the Syndicate Manager in its sole discretion shall determine to be fair and equitable under the circumstances so that the benefit of all available nominations and such proceeds shall be allocated and paid among the Members, holders of breeding Rights granted pursuant to Section 10 and the Syndicate Manager as nearly as practicable in accordance with their respective interests in a normal book.

(c) **Condition of HORSE and Mares.** The Syndicate Manager may refuse to breed HORSE when in the sole discretion of Syndicate Manager to do so would be injurious to its health, fertility or future breeding capacity. Each mare nominated or offered for breeding to HORSE shall be in sound breeding condition and free from infection and disease.

(d) **Excess Book of Mares.** Should the Syndicate Manager determine that HORSE may be bred safely to mares in excess of the normal book during any breeding season, the Syndicate Manager shall determine the number of mares HORSE may be bred to in addition to its normal book of mares. In the event there has been a reduced book in any prior breeding season, the excess book shall first be allocated to the Fractional Interest(s) of any member and to the Syndicate Manager who did not participate in the normal book during such reduced book season, to the extent of such reduced participation. Thereafter, the Members shall be entitled to a pro rata share of the proceeds from the sale by the Syndicate Manager of the excess book. The plan of the Syndicate Manager for the use or disposition of nominations in an excess

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book shall be conclusive. The Syndicate Manager may at any time cancel or defer any position of an excess book for any year in which the Syndicate Manager shall determine such action to be in the best interests of **HORSE**.

(e) **Southern Hemisphere Breeding Season.** Should the Syndicate Manager determine that **HORSE** may be bred to additional mares during any "Second Semester" or "Southern Hemisphere" breeding season, the Syndicate Manager shall determine the number of mares **HORSE** may breed during such breeding season. The Syndicate Manager shall then recommend to the Members that **HORSE** be so bred to additional mares and shall specify to the Members the expected number of such mares. The Members shall be entitled to a pro rata share of the proceeds from the sale by the Syndicate Manager of additional nominations during the Southern Hemisphere breeding season. Notwithstanding the foregoing, **HORSE** may only be bred during the Southern Hemisphere breeding season with the consent of more than eighty percent (80%) of the Members.

9. COMPENSATION OF SYNDICATE MANAGER AND FARM AND RESTRICTIONS ON ANNUAL BREEDING RIGHTS.

The Members shall pay the Farm, or such other farm where **HORSE** is maintained, for stallion keep, as provided herein, as compensation for maintaining **HORSE** and, as additional compensation for its services in each breeding season **HORSE** stands at stud under its supervision and management, the Syndicate Manager shall receive four (4) free nominations to **HORSE** (the "Syndicate Manager's Nominations") which shall be non-cumulative from one breeding season to another and shall not be irrevocably sold, transferred, assigned or otherwise disposed of over the breeding life of **HORSE**, or for any shorter period of time, except that in any one breeding season the Syndicate manager may use, exchange or otherwise dispose of any or all of the free nominations to which it may become entitled for services rendered during such breeding season.

10. BREEDING RIGHTS GRANTED TO INTERESTED PERSONS.

The Initial Owners hereby convey two (2) free, non-assessable annual breeding rights for the breeding life of **HORSE** to _____, her heirs and assigns. These breeding rights (the "Breeding Rights granted pursuant to Section 10") shall be subject to all the terms and conditions of this Agreement, including the following:

(a) Each Breeding Right granted pursuant to Section 10 shall be the right to breed one (1) thoroughbred mare to **HORSE** in each breeding season for the breeding life of **HORSE**, which right (or free nomination) shall be noncumulative from one breeding season to another and any such nomination which is not used or availed of in any one breeding season shall not be carried over into any subsequent breeding season, but shall be lost.

(b) Each of such Breeding Rights granted pursuant to Section 10 shall be separate and severable from the other, and nominations derived from such rights may in each breeding season that they become available be sold, transferred or otherwise disposed of by the holders thereof and their heirs, successors and assigns, and shall not be subject to the right of first refusal as set out in Section 12. However, any attempted transfer of (a) an entire Breeding Right granted pursuant to Section 10, or (b) a nomination derived from such Breeding Right granted pursuant to Section 10 for any breeding season other than the current breeding season together with a nomination for the breeding season immediately following the current breeding season, shall be subject to the provisions of Section 12 hereof. The holder of a Breeding Right granted pursuant to Section 10 shall not have a right to vote in connection with any decision to be made by the Members, shall not be required to pay any of the expenses of the Syndicate, and shall not be entitled to any of the earnings, if any, of the nominations granted pursuant to Section 8(d).

11. RIGHTS AND OBLIGATIONS OF THE MEMBERS.

The specific rights and obligations pertaining to the Fractional Interests and the Members shall be as specified in this Agreement, including the following:

(a) Each Member shall be entitled to one nomination for each breeding season for each Fractional Interest owned by him, subject to the terms, conditions and limitations in Section 8 hereof. Such nominations are non-cumulative.

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In the event that any Member has arranged for the breeding of a mare during any breeding season, and the Fractional Interest to which said nomination pertains shall be sold, traded or otherwise transferred prior to the end of the breeding season concerned, the sale, transfer, or trade of the nomination shall be unaffected, but the buyer or transferee of such Fractional Interest shall acquire no nomination for that breeding season.

(b) Each Member shall pay such proportion of all charges, costs and expenses incurred in connection with the keeping, maintenance, care, breeding, advertising, promotion and handling of **HORSE**, as well as all other expenses incidental to the operation of the Syndicate, including nomination of **HORSE** to sires or stakes programs such as the Breeders' Cup Series, as the number of Fractional Interest owned by him bears to the total of forty (40) Fractional Interests.

(c) The Syndicate Manager or the owners of ten (10) of the Fractional Interests may call a meeting of the Members to consider and act upon any matter which properly may be the subject of consideration and action by the Members by giving notice of such meeting to all Members and the Syndicate Manager at least (10) days prior to the date of such meeting. Such notice shall specify with particularity the subject matter or matters to be considered and acted upon by the Members. Only such matters as have been specified in the notice shall be considered and acted upon at the meeting.

(d) At all meetings of the Members, the Members shall be entitled to one vote for each Fractional Interest owned, and the Fractional Interests may be voted in person or by agent or proxy duly authorized in writing. Any action which may be taken at a meeting may be taken without a meeting of Members if the required number of Fractional Interests vote to take such actions by written instrument.

(e) The Members agree that it will be beneficial to all Members, their respective transferees and assigns, if any, to annually nominate **HORSE's** progeny to the Breeders' Cup Series and that they direct the Syndicate Manager to annually sell for an amount equal to or in excess of the stated or advertised stud fee for **HORSE**, payable in accordance with the prevailing market for nominations to **HORSE** as determined by the Syndicate Manager, one (1) nomination (the "Breeders' Cup Nomination") to **HORSE**, the proceeds of such sale to be utilized exclusively by the Syndicate Manager to nominate **HORSE's** progeny to the breeders' Cup Series and pay expenses, if any, related thereto.

Because the eligibility fee must be paid prior to receipt of the nomination fee from the purchaser of the breeders' Cup Nomination, the Syndicate Manager may invoice each Member in advance for his proportionate share of said eligibility fee as an expense of the Syndicate. Should no mare be bred on the Breeders' Cup Nomination or should any mare so bred be barren or fail to produce a live foal such that no stud fee is due and payable to the Syndicate, then the Syndicate Manager shall pay the cost of nominating **HORSE's** progeny to the Breeders' cup Series and shall invoice each Member for his proportionate share as an expense of the Syndicate.

(f) Each Member shall be responsible for all sales, use and other taxes payable in connection with his own use, sale or transfer of its nominations. Each Member shall either deposit with the Syndicate Manager the amount of all such taxes for remittance to the appropriate taxing authority or furnish to the Syndicate Manager such evidence of payment of, or exemption from, all such taxes as the Syndicate Manager shall reasonably request.

12. TRANSFERABILITY OF FRACTIONAL INTERESTS AND CERTAIN BREEDING RIGHTS.

The following provisions shall govern the circumstances under which, and the manner in which, Fractional Interests and the Breeding Rights granted pursuant to Section 10 may be sold, transferred, assigned, or otherwise alienated or disposed of.

(a) **Auction or Public Sale.** Until the conclusion of the fifth (5th) breeding season of **HORSE**, no Fractional Interests, Syndicate Manager's Nominations or Breeding Rights granted pursuant to Section 10, or nominations derived from any of the foregoing, may be offered for sale or sold at any auction (public, private, silent or otherwise), public sale, through any ask/bid market, or through any lottery (except as set forth in (b)(4) below)

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(b) Private Sale or Placement. Fractional Interests and Breeding Rights granted pursuant to Section 10 may be sold, transferred, assigned, alienated, or disposed only as follows:

(1) The Members shall have the right of first refusal for the purchase of any Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10 which any Member or holder thereof may at any time desire to sell, subject to the provisions of subsections 12(e). Accordingly, any Member (or his mortgagee or pledgee) or holder thereof who desires to sell or dispose of one or more Fractional Interests or Breeding Rights granted pursuant to Section 10 shall, upon receipt of a bona fide offer for such Fractional Interest or Breeding Right granted pursuant to Section 10 which he desires to accept, notify the Syndicate Manager in writing of the price, terms and conditions at which he will sell such Fractional Interest(s) or Breeding Rights granted pursuant to Section 10 and the name of the offeror. If such Fractional Interest or Breeding Right granted pursuant to Section 10 is to be exchanged, the Member or holder thereof shall indicate the consideration to be received and an equivalent cash value therefor.

(2) In the event a Member or holder of a Breeding Right granted pursuant to Section 10 transfers a Fractional Interest or Breeding Right granted pursuant to Section 10 to a secured party in satisfaction of a debt, the price at which the Fractional Interest or Breeding Right granted pursuant to Section 10 shall be offered to the Members shall be the lesser of the fair market value of the Fractional Interest or Breeding Right granted pursuant to Section 10 or the total amount of the debt satisfied by the transferor.

(3) Prior to the close of business five (5) days following receipt of such notice, the Syndicate Manager shall notify each of the other Members of the name of the individual wishing to sell his interest, the name of the offeror, the amount of such offer and the terms and conditions thereof. Thereupon, each of the other Members shall have ten (10) days from the date such notification is given by the Syndicate Manager within which to notify the Syndicate Manager whether he elects to purchase such Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10 and the number of such interests he desires to purchase. Such election to purchase shall be at the price and subject to the same terms and conditions as the bona fide offer received by the selling Member or holder.

(4) In the event more than one Member shall elect to acquire the Fractional Interest or Breeding Right granted pursuant to Section 10 offered, and the number of Fractional Interests or Breeding Rights granted pursuant to Section 10 available for purchase is insufficient to enable each electing Member to purchase one Fractional Interest or Breeding Right granted pursuant to Section 10 then the Member or Members who shall be entitled to purchase the available Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10 shall be determined by lot. The number of chances in such lottery allocated to any Member shall be equal to the sum of the number of each Member's Fractional Interests and the number of such Member's Breeding Rights, whether derived from Section 9 or Section 10 hereof. The Member determined by lot to be entitled to purchase the Fractional Interest or Breeding Right granted pursuant to Section 10 shall be required to purchase the same at 2:00 p.m. on the first business day following the determination by the Syndicate Manager if, and only if, at such time **HORSE** is in good general health and sound for breeding purposes, at which point risk of loss shall pass. No Member shall be precluded from participating in any lottery by virtue of having been successful in any prior lottery.

(5) In the event none of the other Members elects to purchase the available Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10, the Syndicate Manager shall have the exclusive right and option, for a period of two (2) business days following the expiration of the ten (10) day period provided for in subsection 12(b)(2) hereof, to purchase, at the specified price and upon the specified terms, any or all such available unpurchased Fractional Interests or Breeding Rights granted pursuant to Section 10.

(6) If neither the Syndicate Manager nor any of the Members elects to purchase the available Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10 at such price and upon such terms and conditions

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from the Member (or his mortgagee or pledgee) or holder thereof who desires to sell the same, then such Fractional Interest(s) or Breeding Right(s) granted pursuant to Section 10 shall be freely alienable, if and only if, the sale is made by the selling Member or holder thereof within thirty (30) days following the expiration of the two (2) day period provided for in subsection 12(b)(4) above (i) at the price and upon the terms and conditions specified in the notice, (ii) to the offeror from whom he has received such offer, and (iii) upon proper execution and delivery of all documents required in Section 5 hereof as to Fractional Interests or such documentation as the Syndicate Manager may require in its discretion (as to Breeding Rights granted pursuant to Section 10).

(7) In the event a Member or holder of a Breeding Right granted pursuant to Section 10 grants a security interest in a Fractional Interest or Breeding Right granted pursuant to Section 10 and subsequently defaults, the secured party, as selling agent for the defaulting Member or holder of a Breeding Right granted pursuant to Section 10, shall be subject to the provisions of this Section 12.

(c) **Restrictions on Transferability and Survival Thereof.** No Fractional Interest or Breeding Right granted pursuant to Section 10 may be sold, transferred, assigned or otherwise disposed of except in accordance with the terms and provisions of this Section 12, and the transferee of any Fractional Interest or Breeding Right granted pursuant to Section 10 that is to be sold, transferred, assigned, alienated, or disposed of shall (i) along with the transferor of such interest be obligated to pay any outstanding or unpaid invoice relating to such Fractional Interest or breeding Right granted pursuant to Section 10 notwithstanding the fact that the expenses or costs covered by such invoice may have been incurred prior to such transfer, and (ii) shall continue to be subject to all of the terms, provisions and restrictions contained in this Agreement.

(d) **Effectiveness of Transfer.** No transfer of a Fractional Interest or Breeding Right granted pursuant to Section 10 shall become effective as between the selling Member or holder thereof and the transferee, unless and until the selling Member or holder thereof and his transferee shall have satisfied all of the requirements of documentation required by Section 5 hereof (as to Fractional Interests) or as the Syndicate Manager may require (as to Breeding Rights granted pursuant to Section 10).

(e) **Related Party Transfers.** Fractional Interests and Breeding Rights granted pursuant to Section 10 may pass by inheritance or will without such transfer being subject to the right of first refusal, but subject to all other terms and conditions of this Agreement. Further, Fractional Interests and Breeding Rights granted pursuant to Section 10 may be transferred to any member of any owner's immediate family or to any firm, entity or trust owned or controlled by the owner of such Fractional Interest or Breeding Right granted pursuant to Section 10 or to a trust, the beneficiaries of which are descendants or immediate family members of the owner of such Fractional Interest or Breeding Rights granted pursuant to Section 10 (hereinafter collectively referred to as Related Parties), without being subject to the right of first refusal, provided, that (i) in the case of a transfer to a firm, entity or trust owned or controlled by the transferor an affidavit stating ownership or control of the transferee be signed by the transferor and provided to the Syndicate Manager and (ii) such transfer is not being made for the purpose of avoiding any of the terms of this Agreement. Any subsequent transfers to individuals or entities who are not Related Parties will be subject to the right of first refusal.

(f) **Applicability to Initial Owner's Interests.** Fractional Interests retained by the Initial Owners shall be subject to the right of first refusal as provided in subsection 12(b) above.

(g) **Expenses.** All direct expenses incurred by the Syndicate Manager in performing its duties under this Section 12 shall be paid by the selling Member or owner of the Breeding Right granted pursuant to Section 10 and until such expenses have been paid in full, the Syndicate Manager may, at its election, (i) refuse to recognize the transfer of the Fractional Interest or such breeding right, or (ii) recognize such transfer, in which event transferor and transferee shall be jointly and severally liable for such costs.

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13. MORTALITY INSURANCE ON HORSE.

HORSE shall **NOT** be insured by the Syndicate Manager for the benefit of or at the expense of the Members of the Syndicate herein created. Each Member may, at his election, insure the mortality of **HORSE** at his individual cost and expense to the extent of, but only to the extent of, his insurable interest in **HORSE**. No member shall be entitled to obtain or maintain in force mortality insurance on **HORSE** to the prejudice or exclusion of any other Member who has an insurable interest in **HORSE** and who desires to obtain such insurance.

14. TAX ELECTION

It is not the purpose or intention of this Agreement to create, and this Agreement shall not be considered as creating a joint venture, partnership or other relationship whereby any party shall be held liable for the omissions or commissions of any other party. No partnership, legal person, association, or jural entities are intended or hereby created by the parties.

(a) **Election Not to Be Treated as a Partner.** If for federal tax purposes this Agreement, the relationships established hereby and the operations conducted hereunder are regarded as a partnership, as that term is defined by the Internal Revenue Code of 1986, as amended (the "Code"), then the owners of all Fractional Interests, whenever owned, hereby elect not to be treated as a partnership and to be excluded from the application of all the provisions of Subchapter K of the Code, pursuant to an election under Section 761(a) of the Code (Treas. Reg. §1.761-2). In addition, to the extent that the laws of the Commonwealth of Kentucky, or any other state with jurisdiction over the subject matter hereof, contain, or hereafter contain, provisions similar to those contained in Subchapter K of the Code, under which a similar election is permitted, the owners of all Fractional Interests, whenever owned, hereby agree and elect to be excluded from such provisions. In making this election, the owners of all Fractional Interests, whenever owned, acknowledge that the income derived by each Member by virtue of his ownership of same can be determined adequately without the necessity for any computation of partnership taxable income, and all such owners agree not to give any notice or to take any action inconsistent with the election hereby made.

(b) **Documents Evidencing Election.** The Syndicate Manager is hereby authorized and directed to execute such evidence of the foregoing election pursuant to Treas. Reg. §1.761.2, or to make such election if the election herein contained is insufficient for any reason, as may be required by the Secretary of the Treasury of the United States or the Internal Revenue Service. Should there be any requirement that the Members evidence further such an election, the Members agree to execute such documents and furnish such other evidence as may be required to evidence such election.

(c) **Allocation of Income, Expenses and Depreciation of a Partnership.** If for federal income tax purposes the Syndicate is regarded as a partnership, then to each Member shall be allocated the proportion of income, expenses, and depreciation arising from such operations as the number of Fractional Interests owned by such Member bears to the total number of Fractional Interests. Notwithstanding the foregoing if the relationship established by this Agreement is treated as a partnership for tax purposes, all depreciation, gain, loss, deduction, credit or item thereof shall, as required by Section 704 of the Code, be determined with respect to **HORSE** and shared among the Members so as to take full account of the variation (if any) between the basis of **HORSE** to the Syndicate and **HORSE's** fair market value at the time of the Syndicate's formation using the traditional method with curative allocations within the meaning of Treas. Reg. §1.704-3(c). The Syndicate Manager shall not, without the prior consent of the owners of a majority of the Fractional Interests, be required to make the election described by Section 754 of the Code.

(d) **Tax Matters Partner.** If the Syndicate is regarded as a partnership the Syndicate Manager is, if permitted by law, hereby designated as the "tax matters partner" described in Code Section 6231(a)(7) and shall possess all necessary power and authority to act in such capacity on behalf of the Syndicate. If the Syndicate Manager is not permitted by law to be the tax matters partner, such partner shall be chosen by a simple majority of the members. All costs incurred by the tax matters partner including, without limitation, the cost of legal accounting services, shall be reimbursed to the tax matters partner by the Members.

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15. TERMINATION OR MODIFICATION OF AGREEMENT.

This Agreement and the Syndicate created hereby may not be terminated, canceled, altered, amended, or modified in any manner or respect, without the written consent of the owners of more than eighty (80%) percent (75%) of the Fractional Interests (or, with respect to certain matters, such higher percentage as may be set forth elsewhere herein), provided, however, that no amendment or modification to this Agreement shall affect the rights of the owners of the Breeding Rights granted pursuant to Section 10.

16. BREACH OF WARRANTY OR REPRESENTATION.

Should any purchaser of any Fractional Interest or Breeding Right institute an action against the person from whom he acquired such Fractional Interest or Breeding Right granted pursuant to Section 10 based upon an alleged breach of one or more representations or warranties made by such seller, the person against whom that action is instituted (upon being notified hereof) shall defend such action at this individual cost and expense, and, if a final judgment is entered from which no appeal can be taken to the effect that such a breach did occur, the person against whom that action was instituted shall be solely liable to the person or persons who instituted the same for such damages as they, or any of them, may have sustained by reason of such breach, limited, however, to the cash consideration paid for each Fractional Interest or Breeding Right granted pursuant to Section 10 owned by such person or persons, plus interest and court costs, exclusive of counsel fees. Each Selling Member or seller of any Breeding Right granted pursuant to Section 10 agrees to hold harmless and indemnify each non-selling Member and other holders of breeding Rights granted pursuant to Section 10 and the Syndicate created hereby from any costs, expenses and liabilities resulting from a breach or alleged breach of one or more representations or warranties made in connection with the sale or transfer of a Fractional Interest or Breeding Right granted pursuant to Section 19 by such selling party.

17. EVIDENCE OF SYNDICATION.

The Jockey Club Certificate of Foal Registration for HORSE shall be endorsed to the Syndicate created hereby the Initial Owners and shall be delivered to the Syndicate Manager, who shall hold same on behalf of the Syndicate.

18. NOTICES.

Any notice given or required to be given to the Members hereunder shall be effective and binding if, and the same shall be deemed to have been given when delivered in writing, (i) delivered in person; (ii) mailed postage prepaid by certified or registered mail; (iii) dispatched by express courier; (iv) or dispatched by facsimile transmission, telegram or cable to the person to whom it is required to be given at his address designated herein or to such other address as he shall designate by written notice sent to the Syndicate Manager for that purpose, and notices to the Syndicate Manager shall only be effective and binding upon the actual and timely receipt thereof by the Syndicate Manager.

19. WAIVER OF RIGHT TO DEMAND PARTITION.

The Members hereby waive whatever right they may have to demand the partition, or sale for partition, of HORSE under any law of the Commonwealth of Kentucky, or any other jurisdiction, and they do hereby agree that the sole and adequate means by which an owner of a Fractional Interest may divest himself of his interest in HORSE shall be the transfer of the Fractional Interest(s) which he owned therein pursuant to the provisions of Section 12 hereof.

20. BINDING EFFECT OF AGREEMENT.

This Agreement and each and every provision hereof shall be binding upon and shall inure to the benefit of the parties to this Agreement and all other persons who acquire Fractional Interests or the right thereto, and their respective heirs, personal representatives, administrators, successors, assigns and transferees, whether with or without consideration.

21. APPLICABILITY OF AGREEMENT TO SUBSEQUENT PURCHASERS OF FRACTIONAL INTERESTS AND BREEDING RIGHTS.

Any person or entity not a party to this Agreement at the time of its original execution who purchases or otherwise acquires a Fractional Interest or breeding right or the right thereto in HORSE shall be deemed a party to this Agreement to

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the same extent and in the same manner as though he had signed and executed the original hereof, and any such person or entity agrees to execute any agreement reasonably requested by the Syndicate Manager evidencing such person's consent to the terms of this Agreement.

22. REPRESENTATIONS; DISCLAIMERS.

(a) As a condition of sale, any Purchaser of a Fractional Interest or Breeding Right acknowledges and agrees, and represents and warrants the following, which representations and warranties such Purchaser shall make by his act of submitting the transfer form or other required documentation to the Syndicate Manager:

(1) That the Purchaser is engaged in the business of racing and breeding Thoroughbred HORSES and that the purchase of the Fractional Interest or other breeding right is for the purpose of facilitating such endeavor.

(2) The Purchaser is not dependent upon the expertise or management of the Syndicate Manager in order to successfully conduct the affairs of the purchaser's own breeding endeavor either as a result of the Purchaser's acquisition of the Fractional Interest or other breeding right or otherwise, other than the purchaser's reliance upon the Syndicate Manager's normal custodial responsibilities as set forth in this Agreement.

(3) The Purchaser is acquiring the Fractional Interest or other breeding right with the intention of using the Fraction Interest or breeding right in the Purchaser's own breeding operation with said Fractional Interest or breeding right being purchased for the Purchaser's own account and not for the present purpose of reselling, assigning or in any way redistributing same.

(4) The Purchaser is aware of the costs and risks associated with the ownership of Thoroughbred HORSES and interests in stallions.

(5) The Purchaser understands that the purchase of an undivided fractional interest or other breeding right in a HORSE is speculative and involved a high degree of risk, and Purchaser is able to afford the payment of the purchase price of the Fractional Interest or other breeding right and is financially able to bear the costs associated with the ownership thereof; that he has the ability to retain the Fractional Interest or other breeding right for an indefinite period of time and to sustain a possible loss of the purchase price and any subsequent expense contributions without a significant impact on the Purchaser's other assets.

(6) The Purchaser acknowledges that he and/or his representatives have been afforded the opportunity to ask questions of and to receive answers from the Syndicate Manager and Initial Owners or persons authorized to act on their behalf concerning HORSE, the Syndicate operations, and any aspect of membership in the Syndicate, all to Purchaser's satisfaction.

(7) The Purchaser acknowledges that he and/or his representatives have been granted the right to inspect HORSE, and the Syndicate's legal documents, and to obtain any additional information to the extent the Syndicate Manager or Initial Owners possess such information or can acquire it without unreasonable effort or expense, which is necessary to make an informed business decision or to verify any other information provided.

(b) Each of the representations set forth in Section 22(a)(1-7) are also made by the Initial Owners each to the other and to the Syndicate Manager.

(c) THE INITIAL OWNERS AS BETWEEN THEMSELVES, AND THE INITIAL OWNERS AND THE SYNDICATE MANAGER AS TO ALL PURCHASERS OF FRACTIONAL INTERESTS OR OTHER BREEDING RIGHTS, DISCLAIMS ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, AS TO HORSE, INCLUDING WITHOUT LIMITATION (A) ANY WARRANTY AS TO BREEDING SOUNDNESS, (B) FITNESS FOR ANY INTENDED PURPOSE, AND (C) MERCHANTABILITY.

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23. GOVERNING LAW.

This Agreement, as well as all instruments executed with respect to or pertaining to any right or interest created hereunder, shall be governed by and construed under the prevailing law of the Commonwealth of Kentucky.

24. LIMITATIONS; JURISDICTION.

No action for the breach of any provision of this Agreement or in connection with **HORSE** or the operation hereof may be commenced more than six (6) months after the event giving rise to such cause of action shall have occurred. Venue for any action brought hereunder or otherwise in connection with **HORSE** shall be in _____

25. COUNTERPARTS.

This Agreement shall be executed in counterparts, each of which together shall constitute one original contract, and shall be binding with the same effect as if each such counterpart were executed by all of the parties hereto.

26. SEVERABILITY.

If any provision of this Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed entered into or taken hereunder, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Agreement or any other covenant, stipulation, obligation, agreement, act or action, or part thereof, made, assumed, entered into, or taken hereunder, and this Agreement shall remain in force to the fullest extent permitted by law, provided the rights and obligations of the parties remain substantially unchanged.

27. ENTIRE AGREEMENT; WAIVER.

This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes any and all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment to this Agreement shall be binding unless adopted in the manner set forth in Section 15 hereof. No waiver of any provision of this Agreement shall be deemed, or shall constitute, a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

IN WITNESS WHEREOF, each of the parties has executed this Agreement or caused it to be executed by its duly authorized agent, as of the day, month and year first above written.

("Initial Owners")

By: _____

("Syndicate Manager")