

Thoroughbred Co-Ownership Outline

Overview:

Wasabi Ventures Stables is a Montana-formed Limited Liability Company (LLC) domiciled in New Hampshire. The primary business of the company is the purchase, management, breeding and sale of thoroughbred horses. In order to offer people who have expressed interest in racehorse ownership an opportunity to experience some of the pleasure, excitement, financial risks and rewards of the thoroughbred industry, Wasabi Ventures Stables offers a limited number of "Co-Ownership interests" in one or more horses, designed to provide buyers with a glimpse of thoroughbred racing ownership. Purchasers are not involved in the management of these horses but financially participate (on a defined and limited basis) in the expenses and income the horses produce, while sharing the experience of thoroughbred ownership with Wasabi Ventures Stables and its partners.

The Co-Ownership interests seek to offer purchasers the following;

- A. The opportunity to experience the pleasure, prestige, amenities and emotional rewards of thoroughbred ownership for a one-time payment that is always equal to 1% of the complete purchase price (including applicable sales tax) (generally \$100 and \$500 depending on the cost of the horse(s) in each co-owner group) plus a \$99 one time management fee with no additional financial commitments or expenses.

- B. A share in the cash flow from race purses, state owners' and breeders' awards, and the resale of horses.

General Plan:

Wasabi Ventures Stables purchases racehorses privately, at public auction, or via 'claiming' races run at different racetracks. These horses primarily race in New Jersey, Pennsylvania, New York, Delaware, Maryland and Florida. Wasabi Ventures Stables packages a single horse from time to time and offers a limited number of people

(50 maximum) the opportunity to purchase a small Co-Ownership interest (generally 1% +/-) in the group. These Co-Ownership interests are offered **without** mark-ups on the price Wasabi Ventures Stables paid for horses purchased privately or at public auction. For example, if Wasabi Ventures Stables invested \$20,000 to purchase a horse (purchase price plus sale expenses), a 1% Co-Ownership interest would cost \$200, plus a *one-time* management fee of \$99.00 per co-owner. This would entitle the purchaser to receive 1% of any profits or losses this horse collectively earns from the time the interest is purchased until such time as horse is sold or retired from racing with Wasabi Ventures Stables. Under no circumstances is the purchaser required to pay any additional monies beyond their initial payment. If the expenses exceed the income by more than the amount initially paid by the Co-Owner, Wasabi Ventures Stables will absorb the additional loss.

Who should consider purchasing these interests?

It is important to note that the majority of thoroughbred racehorses ultimately lose money! While Wasabi Ventures Stables manages racehorses in a business-like manner with the goal of producing profits when possible, the primary purpose of the Co-Ownership interests are to provide purchasers with pleasure and entertainment for a modest, one time cost similar to other sports related entertainment, (i.e. season tickets to professional sports teams or membership in a golf/tennis club). Therefore, these Co-Ownership interests are appropriate for purchasers who can afford the loss of any part or all of the purchase price and whose primary interest is the entertainment value of racehorse ownership, with any possible financial returns strictly a secondary consideration.

Management Responsibilities

The horses will be managed by Wasabi Ventures Stables, LLC, who will have complete control relating to all decisions regarding the training, care and ultimate sale of the horses.

Termination of Business

At such time as the final horse in the package is sold or retired from racing, Wasabi Ventures Stables will provide a statement for each Co-Owner showing the income and expenses for the horse owned. Payment shall be made to each purchaser in accordance with their percentage interest and this agreement shall be terminated.

THOROUGHBRED RACEHORSE MANAGEMENT AGREEMENT

THIS AGREEMENT is entered into between Wasabi Ventures Stables, LLC (hereinafter “Wasabi Ventures Stables”) and the purchaser of an interest (hereinafter “Co-Owner”) in certain Thoroughbred horse(s) attached hereto as Exhibit “A” and known in this Agreement as the “Thoroughbred(s)”. **Co-Owner understands that owning Thoroughbred horses is subject to a great many hazards. Each Co-Owner by signing this agreement, acknowledges that thoroughbred racehorse ownership is a highly speculative activity, that such a purchase may not result in profits, and that the entire amount of her/his purchase price may be lost. In particular, there is no guarantee that any thoroughbred will be profitable. A thoroughbred’s breeding and confirmation offers no guarantee of its future racing success, a thoroughbred may perform poorly in actual racing conditions, regardless of its speed or performance under controlled conditions without competition; thoroughbred racing involves risk of injury or death to the horse, and the risk of physical injury or death associated with training, transportation and handling of thoroughbred horses is always present. The Co-Owner hereby represents that they have such knowledge and experience in financial and business matters that they are capable of evaluating the merits and risks of the purchase or ownership of the Thoroughbred(s) and that they are financially able to bear the economic risk of such an purchase. Co-Owner acknowledges that she/ he has been furnished adequate information concerning the possibilities of failure as well as success, and their primary interest is in sports related entertainment, with the possibility of profit a secondary consideration. Co-Owner acknowledges she/he has had the opportunity of questioning and receiving answers from Wasabi Ventures Stables concerning the purchase of a Co-Ownership interest and to receive any additional information concerning Wasabi Ventures Stables which she/he has**

requested. There shall be no warranties of any kind, express or implied, including any warranty with respect to merchantability, fitness of the Thoroughbred(s) for any particular purpose, and the Co-Owner accepts their Co-Ownership interest in the Thoroughbred(s), "as is", on the effective date of this Agreement.

Management Services and Compensation

1. Wasabi Ventures Stables agrees to provide management services for the Co-Owner of the Thoroughbred(s). Wasabi Ventures Stables shall have sole responsibility and authority for the day to day management of the Thoroughbred(s), including but not limited to selection and supervision of trainers, veterinarians, farriers, agents, vanning companies, boarding farms, legal and professional and such other services as are necessary for the Thoroughbred(s)' care. In addition, Wasabi Ventures Stables shall have sole authority and responsibility for the decision to sell any horse via a claiming race, private sale, public auction, and/or any other venue, at whatever time and price they deem to be appropriate. **Co-Owner acknowledges that all decisions pertaining to management/sale of the thoroughbred(s) are the sole responsibility of Wasabi Ventures Stables, and that no particular outcome, positive or negative, can be expected or assured as a result of Wasabi Ventures Stables's management.**

2. In return for Wasabi Ventures Stables's management of the Thoroughbred(s), Wasabi Ventures Stables will be compensated as follows:

A. A *one time* payment of \$99 (ninety nine) per co-owner for time and overhead costs (travel, postage, printing, mailing, travel, state racing licenses, box seats, track admissions, photos, book keeping and accounting, office expenses, parties and events, etc.), included in the Co-Owner's account at the start of the co-owner group.

3. Co-Owner authorizes Wasabi Ventures Stables to act on their behalf in all decisions regarding the Thoroughbred(s) and agrees to be bound thereby, including the authority to enter into a contract for the sale of the Thoroughbred(s) without the agreement of Co-Owner. Co-Owner understands and agrees that from time to time the Thoroughbred(s) may be entered into a “claiming” race, in Wasabi Ventures Stables’s discretion, where the horse may be sold.

4. Wasabi Ventures Stables shall manage the Thoroughbred(s) on a “best efforts” basis consistent with racing managers in the Thoroughbred(s) industry and shall attempt to keep Co-Owner informed of general decisions regarding the Thoroughbred(s). However Wasabi Ventures Stables cannot guarantee any particular result, outcome or level of success by the Thoroughbred(s). Wasabi Ventures Stables shall not be liable for accident, injury, theft, or death of the Thoroughbred(s). Co-Owner understands that owning Thoroughbred(s) horses is subject to a great many hazards. By signing this agreement, Co-Owner acknowledges that Thoroughbred(s) racehorse ownership is a highly speculative activity, that frequently does not result in profits, and that the entire amount of his/her purchase price may be lost. In particular, there is no guarantee that any Thoroughbred(s) will be profitable. Co-Owner agrees to hold Wasabi Ventures Stables, its members, employees and agents harmless from all claims, actions, demands, costs, financial or other losses or damages arising out of the ownership of the Thoroughbred(s).

Income, Expenses, Termination of Agreement

5. Wasabi Ventures Stables shall collect all income earned by race purses, breeders or owners awards, proceeds from sales of the Thoroughbred(s), and any other sources of income, and after deducting all expenses including but not limited to training, boarding, feed, vanning, vet, nominations, jockey and trainer payments

and any other reasonable and necessary expenses, shall disburse any monies due each Co-Owner according to their percentage of ownership in the designated Thoroughbred(s) at such time as the horse is sold after taking into account management fees as further described above (see paragraph #2, Management services and compensation). In the event that all income minus all expenses produces a loss greater than the Co-Owner's initial payment, the Co-Owner shall receive no return of monies but under no circumstances shall be responsible for any additional contribution of capital, and the excess loss shall be absorbed by Wasabi Ventures Stables. For example, if a Co-Owner contributed \$200 in initial capital for their interest(s) in the thoroughbred(s) and their percentage of loss after the final horse is sold was \$300, the Co-Owner would receive no return of their initial \$200 but shall not be responsible for contributing an additional \$100. Wasabi Ventures Stables shall account to each Co-Owner for all monies received and disbursed on no less than an annual basis.

6. No Co-Owner or party other than Wasabi Ventures Stables shall withdraw funds from any Wasabi Ventures Stables bank, racetrack or other account.

7. This agreement shall terminate upon sale and/or retirement of all designated Thoroughbred(s) or may be terminated by Wasabi Ventures Stables upon ten (10) days written notice to the Co-Owner, in which case an accounting of income and expenses as per paragraph 5 above shall be made upon the termination date and Wasabi Ventures Stables shall propose a "fair market" value for the Co-Owner's interest in the thoroughbred(s). Should the Co-Owner not accept the proposed fair market value and the parties not agree on a mutually acceptable alternate value, the Thoroughbred(s) shall, one horse at a time, be sold to the highest bidder at an auction limited to Wasabi Ventures Stables and the Co-Owner(s) not accepting the proposed fair market value price. The auction shall take place at the office of the Paymaster or such other place on the grounds of the racetrack where the Thor-

oroughbred is stabled. Any Co-Owner may bid in person or via telephone. Bidding shall commence at \$1,000.00 and all subsequent bids shall be in \$500 increments. Payment shall be tendered immediately upon completion of the auction by cash, cashier's check, or transfer of funds from an account with the Paymaster. The auction shall be conducted by the Paymaster, or if they are unavailable, by the racing secretary, or if they are unavailable, by any other racing official. If no racing official is available the trainer of the Thoroughbred shall conduct the auction. Immediately upon sale and payment, any selling Co-Owner shall release his interest in the Thoroughbred by signing (and notarizing, if necessary) a bill of sale and/or the Jockey Club Certificate of Foal Registration and any other paperwork necessary to provide the winning bidder with free, clear and unencumbered ownership to the Thoroughbred. Any monies vested under the Management Agreement which concerns any Thoroughbred subject to this Agreement shall be paid upon any sale occurring under this Paragraph

7A. Continuation of group by vote of co-owners. The goal and intent of the program is for the co-ownership to end when the last horse is sold or retired from racing. If the horse has residual value for breeding, showing, etc. the intent is to sell the horse and distribute the proceeds to all co-owners in accordance with their ownership percentages. However, should Wasabi Ventures Stables determine there is a reason or opportunity to continue the group beyond the sale or retirement of all designated thoroughbreds as per paragraph 7 above, for example; an opportunity for breeding rights, stud fees, or a foal sharing agreement with one of the horses, etc., the co-owners may mutually agree to extend, revise and/or restructure the group under any additional terms and/or conditions with the approval of the manager (Wasabi Ventures Stables) and a minimum 75% majority vote of the co-owners. If Wasabi Ventures Stables and a minimum 75% majority vote of the co-owners do NOT agree to extend the group than Wasabi Ventures Stables shall propose

to pay each co-owner a fair market value to acquire any future possible revenue streams from the thoroughbred(s). Should a Co-Owner(s) not accept the proposed fair market value and the parties not agree on a mutually acceptable alternate value, these future value revenue streams shall be sold to the highest bidder at an auction limited to Wasabi Ventures Stables and the Co-Owner(s) not accepting the proposed fair market value. The auction shall take place at the office of Wasabi Ventures Stables. Any Co-Owner may bid in person or via telephone. Bidding shall commence at \$1,000.00 and all subsequent bids shall be in \$500 increments. Payment shall be tendered immediately upon completion of the auction by cash, cashier's check, or wire transfer to be received within 48 hours. The auction shall be conducted by a co-owner NOT bidding selected by Wasabi Ventures Stables. If no co-owner is available the trainer of the Thoroughbred shall conduct the auction. Immediately upon sale and payment, any selling Co-Owner and/or Wasabi Ventures Stables shall release their interest in any future rights to the above horses-revenues by signing (and notarizing, if necessary) a bill of sale and/or any other paperwork necessary to provide the winning bidder with free, clear and unencumbered ownership. Any monies vested under the Management Agreement which concerns any Thoroughbred subject to this Agreement shall be paid upon any sale occurring under this Paragraph

8. When possible, each Co-Owner shall receive one winner's circle photo from each race from Wasabi Ventures Stables, although Wasabi Ventures Stables is *not* required to provide any co-owner with said photos. Winners circle photos can also be purchased by a Co-Owner from their own accounts with the track photographer(s) at their own expense. All trophies shall be retained by Wasabi Ventures Stables. Any Co-Owner may request Wasabi Ventures Stables to obtain a copy of the trophy with the cost paid by the Co-Owner.

Tax Matters, Insurance and Licensing

9. Wasabi Ventures Stables shall provide Co-Owner with an unaudited cash flow statement not less than annually. **Wasabi Ventures Stables makes no representation as to the tax status/treatment of any income or losses from the Co-Ownership and does not offer any tax advice to Co-Owner.** Each Co-Owner shall be responsible for their own share of any taxes, and for reporting of all taxes and tax related matters to their own accountant and/or other advisors.

10. Wasabi Ventures Stables does NOT provide any form of insurance coverage for any of the Co-Owner's horse related business activities. Wasabi Ventures Stables obtains mortality insurance coverage on its interest in some **but not all** of the horses they own. **Co-Owner will automatically participate with Wasabi Ventures Stables on Wasabi Ventures Stables's mortality policy, as opposed to obtaining their own individual coverage, unless agreed in advance in writing by both Wasabi Ventures Stables and Co-Owner.** For example, if a horse dies and Wasabi Ventures Stables had purchased full mortality insurance in the amount of \$20,000, each 1% Co-Owner would receive 1% of the insurance proceeds, or \$1,000. Full mortality coverage will pay in the event a Thoroughbred dies from injury or illness, but does NOT cover injuries or illnesses which reduce the Thoroughbred(s)'s racing/breeding value or limit its future career. It is expressly understood that Wasabi Ventures Stables does NOT always and is NOT required to purchase mortality insurance on any particular horse (s).

11. Wasabi Ventures Stables as racing manager shall be the official spokesperson for all owners with trainers, vets, other vendors, media, racing officials, etc.

12. It is anticipated in most states where Wasabi Ventures Stables horses generally race that Co-Owners will not be required to obtain a racing license and

Co-Owner agrees they will not do so unless so required. If required, each Co-Owner agrees to obtain a racing license where necessary in all states in which the horses may race at their own expense.

13. No Co-Owner shall take any action which shall interfere with racing activities or the operations of the business.

14. Each Co-Owner agrees to execute and complete any and all documents which may be reasonably required in racing the horses anywhere in the world. In the event that any Co-Owner refuses or is unable for any reason to complete the necessary documents, said Co-Owner shall forfeit his ownership interest in the horse until such time as they complete the necessary documents. Such Co-Owner waives any right to purse monies or other compensation earned by the horses until the necessary documents are signed.

Transfer of Interests

15. Any Co-Owner may sell, assign or transfer their entire undivided Co-Ownership interest to one single person, subject to the terms and conditions of this Agreement; provided, however, that Wasabi Ventures Stables shall have the first right to purchase any interest which the Co-Owner may at any time desire to sell. Any Co-Owner who receives an acceptable offer shall notify Wasabi Ventures Stables, in writing, stating the amount of the offer and all the terms and conditions thereof. Wasabi Ventures Stables shall have five (5) days immediately thereafter to accept or reject said offer. If the first right to purchase herein granted is not exercised by Wasabi Ventures Stables, then the Co-Owner desiring to sell their entire undivided interest may then sell it to the person originally making the offer upon the terms stated, providing that the offeree shall immediately sign a copy of the

management agreement and any other material necessary to confirm their full, complete and unconditional acceptance of all the provisions of this Agreement.

16. Co-Ownership interests may pass by gift, inheritance, or by Will or into a family Trust without being subject to the provisions of this first right to purchase, but subject to all other terms and conditions of this Agreement.

17. The Co-Owners are owners of undivided interests in the Thoroughbred. 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; but if, for Federal Tax purposes, this Agreement or the relationship established hereby and the operations hereunder are regarded as a partnership, then each of the parties hereby elect not to be treated as a partnership, and further elects to be excluded from the applicable provisions of the Internal Revenue Code. Wasabi Ventures Stables is authorized to execute on behalf of each of the parties hereto such evidence of this election as may be required by Federal Treasury regulations. In making this election, each of the parties hereto states that the income derived by them from their co-ownership of the Thoroughbred can be adequately determined without the computation of the partnership taxable income.

Addition of horses

18. Additional new horses may be added to the specific horses listed in Exhibit A as part of this agreement, but only under such terms and conditions as are approved by a minimum 75% interest of all co-owner(s) and Wasabi Ventures Stables. Under no circumstances shall Wasabi Ventures Stables be required to offer the addition of any horse(s) not initially listed in Exhibit A at the time this agreement is initially executed.

18b. Re-purchase of horses. Occasionally, Wasabi Ventures Stables may elect to “re-claim” or re-purchase a horse initially listed in Exhibit A that was claimed away or sold. In such cases Wasabi Ventures Stables may, but is in no way required, to offer the co-owner group to share in the re-purchase of said horse. All Co-Owners will have the opportunity to vote on the re-purchase under whatever terms Wasabi Ventures Stables shall offer them, and such re-purchase shall only be approved by a minimum 75% interest of all co-owners. Nothing in this paragraph shall require any co-owner to make any additional cash contribution to the group.

Miscellaneous Matters

19. Unless otherwise agreed in advance in writing by Wasabi Ventures Stables, all horses racing under this management agreement shall wear the racing silks of Wasabi Ventures Stables, LLC for all races.

20. Wasabi Ventures Stables shall not be required to manage horses under this agreement as their sole and exclusive function and will have other business interests and may engage in other activities in addition to those relating to management of Thoroughbred(s) under this Agreement, including other management business and activities the same or similar to the services performed here, including, but not limited to, managing or owning horse(s) competing against the Thoroughbred(s) in the same race. No co-owner shall have any right pursuant to this Agreement to share or participate in other business interests or activities of Wasabi Ventures Stables or to the income or proceeds derived by Wasabi Ventures Stables.

21. When executed by the parties, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which together shall constitute a single agreement as though all signatures were appended to a single instrument.

22. This Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire and enforced without regard to conflict of law principles. The parties agree the state of Florida is a proper venue for the resolution of any dispute relating to or arising out of this Agreement.

23. Co-Owner has been advised and acknowledges that this Co-Ownership Agreement has not been qualified with the Commissioner of Corporations of the State of New Hampshire and accordingly such Commissioner of Corporations has not approved or disapproved this Co-Ownership Agreement.

24. All notices permitted or required hereunder to be given shall be effective and binding if sent by prepaid registered or certified mail, fax, email, or delivered in person to the address stated by Co-Owner to Wasabi Ventures Stables.

25. Any dispute arising out of this Agreement shall be resolved by binding arbitration conducted according to the rules of the American Arbitration Association. The losing party in such arbitration shall pay the reasonable costs and expenses, including attorney's fees, of the prevailing party.

26. Each Co-Owner irrevocably waives any right that it may have to maintain any action for partition with respect to the Thoroughbred.

27. All pronouns shall be deemed to refer to the masculine, feminine, or neuter, singular or plural, as the identity of any Co-Owner may require, except to the extent that a pronoun refers to the Thoroughbred.

28. Each Co-Owner shall execute and deliver any additional documents and instruments and perform any additional acts that may be necessary or appropriate or effectuate and perform the provision of this Agreement and the transactions contemplated herein.

29. To the fullest extent permitted by law, Co-Owner shall indemnify Wasabi Ventures Stables and hold them harmless from and against all losses, costs, liabilities, damages and expenses (including, without limitation, costs of suit and

attorneys' fees) they may incur on account of any material breach by Co-Owner of this Agreement.

30. If any provision of this Agreement or the application of such provision to any Person or circumstance shall be held invalid, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those as to which it is held invalid, shall not be affected.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date below.

Exhibit A

Co-Owner hereby acquires a one percent (1%) Co-Ownership interest in the thoroughbred race horse from Wasabi Ventures Stables, LLC on the particular Web page that is at <http://www.wasabistables.com>. All details will be found on the particular page.

Dear Wasabi Ventures Stables, LLC;

I am interested in becoming a Co-Owner with Wasabi Ventures Stables, LLC in the horses referred to in the attached management agreement. I understand that there is no ready market for resale of these Co-Ownership interests. I acknowledge that I am purchasing these interests strictly for my own personal use, primarily for pleasure and entertainment. I have carefully and thoroughly read and reviewed all information with my legal and financial advisors before purchasing these interests. I am requesting that you accept me as a Co-Owner based on the following;

1. I am able to afford the loss of most or all of these funds without it impacting my lifestyle and/or quality of life. The funds I will use for this purchase is part of my annual entertainment budget that would otherwise be used for items such as concert tickets, seats at sports events, membership in a golf or tennis club, etc.

2. I have a longstanding interest in the thoroughbred industry and consider the personal pleasure I will derive from the purchase of these interests to be a major reason for participating even if the ultimate result is a financial loss.

I have indicated that all of the above is true and correct with my signature below