

HIDAKA 2YO TRAINING SALE CONDITIONS OF SALE

I General Provisions

(Obligation to follow Conditions)

No.1 To ensure that this sale (hereinafter the "Sale") proceeds smoothly, these Conditions of Sale shall be followed by any party registered to sell horses at the Sale (hereinafter "Seller") and any party registered to buy horses at the Sale (hereinafter "Buyer")

(Location of Sale)

No.2 The Sale will be held at 535-13, Aza Nitsha, Urakawa-cho, Urakawa-gun, Hokkaido, Japan

2 The Sale Holder's office is located at 5-5, Higashi 2-chome, Sakaimachi, Urakawa-cho, Urakawa-gun, Hokkaido, Japan, and during the Sale, the office will be located on the sales premises.

(Horses Offered)

No.3 Horses offered at the Sale will be Thoroughbred 2two-year-olds in training. No warranties are made by the Sale Holder or Seller as to the commercial value or fitness for any particular purpose of any horse offered at the Sale.

(Time and Data of Sale)

No.4 The time and date of the Sale shall be determined each year by the Sale Holder's Board of Directors. The hours of the Sale may be extended if all transactions are not completed during the scheduled hours

(Stabling)

No.5 Horses being offered at the Sale shall be stabled in locations designated by the Sale Holder.

(Veterinary Inspection)

No.6 Buyer may conduct veterinary inspection of candidate horses prior to sale at buyer's own expense.

2 Buyer wishing to conduct such veterinary inspection must submit a request in advance to the Sales Office.

II Method of Transaction and Procedure

(Method of Sale)

No.7 Transaction of horses at the Sale will consist of sale and purchase.

- 2 The sale and purchase of horses will be conducted thorough bidding.

(Seller Registration)

- No.8 A party registering as a Seller is responsible for any disputes that may occur between Seller and owner of the horse to be consigned to the Sale. To register, Seller must submit an application form to the Sales Office stating the names of Seller, owner, breeding farm and keeper of the horse, as well as the horse's sex, colour, birth date, along with a pedigree certificate issued by the Japan Racehorse Registry.
- 2 If Seller is registering through a third party, Seller must submit a separate Authorization Form authorizing the third party to register on Seller's behalf to the Sales Office by the due date designated by Sale Holder.
 - 3 Seller shall receive and place a Hip No. on the horse to be offered as instructed by the sales attendants.

(Withdrawal of Horses)

- No.9 In the event a horse registered to be consigned to the Sale has to be withdrawn from the Sale due to unavoidable circumstances such as illness or injury, Seller must report the withdrawal to the Sale Holder by the day before the Sale and submit supporting documentation, which may be in the form of a veterinary certificate.
- 2 Seller will be fined ¥400,000 for penalty of withdrawal if Seller does not submit a supporting veterinary certificate or if the Sale Holder determines that there is insufficient reason for withdrawal.

(Buyer Registration)

- No.10 A party applying to register as a Buyer at the Sale must submit a Buyer Registration Form stating Buyer's name and address to the Sales Office in advance.
- 2 If a Buyer is purchasing through a third party, a separate Agent Authorization Form authorizing the third party to act as an agent (hereinafter "Authorized Agent") on Buyer's behalf must be submitted to and approved by the Sale Holder.
 - 3 The Sale Holder may request a certifier for unknown Buyers or Authorized Agents.
 - 4 Buyers must wear a "Buyer's badge" where it is clearly visible.
 - 5 Any party not wearing a Buyer's Badge cannot participate in the bidding at the Sale.

(Announcement Prior to Auction)

- No.11 Prior to the auction of a horse, the Sale holder shall announce information on the horse in the sales catalogue and any conditions reported by Seller under Paragraph 4 of this article.
- 2 Seller shall check the information in the sales catalogue and confirm whether any

additional declarations are necessary, and in the event there are any omissions or error in the information, Seller must notify the Sale Holder in writing and request that the appropriate additions or corrections be made.

3 Should the Sale Holder receive such request as stated in No.11-2 above, the auctioneer will announce the addition or correction from the stand.

4 The conditions that must be declared as referred to in Paragraph 1 of this article are as follows:

- (1) Vices (Cribbing, Box-Walking, Weaving, Self-Biting)
- (2) Eye abnormalities (Cataracts, Amaurosis, Glaucoma), Periodic Ophthalmia (Moonblindness)
- (3) History of joint surgery
- (4) History of abdominal surgery
- (5) Castration
- (6) Missing or damaged teeth
- (7) History of surgery under general anesthesia
- (8) Roaring from laryngeal hemiplegia

(Method of Auction and Bidding)

No.12 Horses in the Sale will be offered in the order designated by the Sale Holder.

2 The auction shall be conducted in principle through increasing of bids. However, in some cases, bids may be brought down. The minimum bid advance shall be Ten thousand (10,000) yen

(Re-sale)

No.13 In the event there is no successful bidder for a horse, Seller may put the horse up for re-sale. In the case of a re-sale, the horse does not necessarily have to re-enter the sales ring.

2 A Seller wishing to put a horse up for re-sale in accordance with the paragraph above must submit a request to that effect to the Sales Office.

3 Auctioning of horses being offered for re-sale will be conducted in the order designated by the Sale Holder.

(Determination of Successful Bidder and Completion of Transaction)

No.14 If after the auctioneer calls out the highest bid 3 times and there is no other higher bidder, the party making the highest bid shall be determined the successful bidder. However, if the value of said bid is lower than the preferred sale price submitted to the Sale Holder by Seller, such may not be the case.

2 Upon determination of the successful bidder, a sales attendant will immediately

announce the price of the successful bid and the name and or buyer registration number of the successful bidder.

3 The purchase transaction shall be deemed concluded upon determination of the successful bidder, and all risk thereafter shall belong to the bidder.

4 No objections may be raised once the successful bidder has been determined.

5 Once the successful bidder has been determined, the successful bidder and Seller shall immediately enter into the designated Agreement of Purchase and Sale.

(Purchase Settlement and Delivery of Horse)

No.15 The successful bidder of a horse shall pay the amount equal to the successful bidding price plus consumption tax (hereinafter the 'purchase price') in cash or by certified check to the Sales Office or a financial institution designated by the Sale Holder no later than the closing time of the Sale.

If however, payment cannot be made by the closing time of the Sale, it shall be made within 7 days from the day following the closing date of the Sale to a financial institution designated by the Sale Holder.

2 Delivery of the horse shall take place after full payment of the purchase price and within 7 days from the closing date of the Sale. Arrangements for keeping of the horse after the period of 7 days from the day following the closing date of the Sale has passed shall be negotiated between Seller and the successful bidder.

3 The Sale Holder shall pay to Seller the amount derived by deducting the applicable sales commission stipulated separately herein from the purchase price.

4 Delivery of the horse shall be carried out by the training farm consigning the horse.

5 Seller is responsible for keeping the horse under proper conditions free of charge until the time of delivery, which shall be no later than 7 days from the closing date of the Sale.

(Rescission of Purchase Transaction)

No.16 If either the Successful Bidder or Seller breaches these Conditions of Sales in connection with any purchase transaction, the purchase transaction may be rescinded through the Sale Holder.

2 If the successful bidder discovers in the horse for which the successful bid was made any condition listed in Paragraph 3 of this article that was not declared on the day of the sale, the successful bidder may submit a written claim to that effect, along with the relevant documents or veterinary certificate, to the Sale Holder within 3 days from the day following the closing date of the Sale. However, this shall not apply if the successful bidder has taken receipt of said horse from Seller.

3 The conditions referred to in Paragraph 2 of this article are as follows :

- (1) Vices (Cribbing, Box-Walking, Weaving, Self-Biting)
 - (2) Eye abnormalities (Cataracts, Amaurosis, Glaucoma), Periodic Ophthalmia (Moonblindness)
 - (3) History of joint surgery
 - (4) History of abdominal surgery
 - (5) Castration
 - (6) Missing or damaged teeth
 - (7) History of surgery under general anesthesia
 - (8) Roaring from laryngeal hemiplegia
- 4 In the event a claim is submitted by the Successful Bidder pursuant to Paragraph 2 of this article, the Sale Holder shall promptly so inform Seller and shall through its own effort or that of its approved veterinarian investigate the claim of the Successful Bidder and promptly notify the Successful Bidder of the results of such investigation.
- 5 If the results of the investigation described in the paragraph above are found to support the content of the claim, the Successful Bidder may rescind the purchase transaction through the Sale Holder.
- 6 The Successful Bidder may not transfer title to the relevant horse to any third party until the Sale Holder determines the results of the investigation.

III Sales Operation Staff and Other Related Personnel

(Sales Operation Staff)

- No.17 The Following staff shall conduct the operation of the Sale.
1. Sale Director : 1 person
 2. Auctioneer : Several
 3. Veterinarian : 1 person
 4. Sales Attendant : Several
- 2 The Sale Director shall supervise the auctioneers, veterinarian and attendants.

(Prohibited Acts of Auctioneer)

- No.18 The auctioneer is prohibited from performing any of the following acts:
1. Conspiring with any Seller or Buyer to obstruct the conducting of legitimate transactions or allowing any Seller or Buyer to engage in bid rigging or any other wrongful act.
 2. Receiving money or any other form of gain from Seller or Buyer in connection with the auctioneer's professional duties.
 3. Becoming directly involved as a principal in a purchase or sale.
 4. Intentionally obstructing the establishment of a successful bid.
 5. Calling out bids in argot or any other manner not commonly accepted.

6. Disclosing the submitted preferred sale price to a third party.

(Prohibition of Commercial Brokerage)

No.19 Commercial brokerage at the Sale is prohibited..

IV Fees

(Fees and Amounts)

No.20 The following fees will be collected as specified below.

1. Seller shall pay 5% of the purchase price as commission to the Sale Holder.
2. Seller shall pay to the Sale Holder a sales application fee of ¥50,000, this amount not to be refunded for any reason.

V Miscellaneous

(Provisions for Breach of Agreement)

No.21 Sellers who breach the Agreement of Purchase and Sale or are found to have declared false information will not be allowed entry to the Sale in the future.

- 2 Buyers who breach the Agreement of Purchase and Sale and cause the transaction to be rescinded will be required to pay 30% of the purchase price to the Sale Holder as a penalty fee.
- 3 The penalty fee collected in accordance with the paragraph above will be paid to the Seller of the horse for which the transaction was rescinded.

(Provisions for Maintaining Order on Sales Premises)

No.22 The Sale Holder may remove from or prohibit entry for a designated period of time onto the sales premises any party to which the following apply:

1. A party that has breached these conditions.
2. A party that has spread false rumors concerning any horse in the Sale for which a transaction has not been concluded.
3. A party that has declared false information to the Sale Holder.
4. A party that has obstructed sales operations or disturbed order on the sales premises or is considered liable to do so.
5. A party that has intentionally damaged property on the sales premises.
6. A party that does not follow the instructions of the sales attendants.

(Date of Implementation of Conditions)

No.23 These Conditions went into effect on 13th May 1997.

These conditions were amended on 20th March 2007