



CASTLE VILLAGE FARM 2010 SARATOGA CLAIMING PARTNERSHIP

Partnership Agreement

This partnership agreement is entered into as of the date below written by and among the Partners whose names appear on the signature pages hereof.

1. Castle Village Farm 2010 Saratoga Claiming Partnership (hereinafter, the "Partnership") is a general partnership formed under New York law, operating from the date of this agreement until terminated as provided in Article 18.
2. The business of the Partnership is to purchase, own and race one or more thoroughbred race horses, to be raced primarily in New York.
3. The managing partner will be Castle Village Farm LLC. The "managing owner" for purposes of race track licensing and entries will be Steve Zorn. Except as otherwise provided below, the trainer will be Bruce Brown. The managing owner and the trainer will be designated as authorized agents of the Partnership for dealings with race tracks, regulatory bodies and other individuals and entities concerning the business of the Partnership.
4. The managing partner or any successor managing partner and the trainer may be replaced by a three-quarters vote of all the interests in the Partnership's capital account ("Partnership Interests"). In addition, the managing partner and Bruce Brown, or any one of them, can decide at any time and in his or their sole discretion to terminate the relationship, in which case, the managing partner will select a new trainer, who will succeed to all the duties and responsibilities of the trainer as herein defined.

5. Each Partner who owns a 3% or greater interest in the Partnership's horse(s) or, if there are fewer than 36 partners, then each partner regardless of his or her percentage interest, shall take all necessary steps, at such Partner's own expense, to obtain a thoroughbred owner's license in New York. If the trainer or managing partner, in their discretion, uses Partnership funds to pay any or all of the costs of such licensing, in order to make the Partnership eligible to run a horse, then those persons on whose behalf the Partnership has made such payments shall promptly reimburse the Partnership. If the Partnership runs a horse in a jurisdiction other than New York, each Partner agrees to lease his or her interest in that horse to the managing partner, solely for the purpose of complying with licensing requirements in other jurisdictions, and the managing partner shall account to the Partnership for any earnings and costs associated with such races.
6. Except where this agreement specifies otherwise, all decisions of the Partnership shall be made by the managing partner.
7. Meetings of the Partnership may be called either by the managing partner or by the holders of 40% or more of the Partnership Interests. Such meetings may be held either in person, or by way of conference call or online internet chat or other similar electronic means. Notice of Partnership meetings shall be in writing, including email, and shall be given at least two weeks in advance of the meeting. Notice shall be deemed to be received when mailed, if by first class mail, or when sent to a Partner's email address, as furnished to the managing partner, if emailed.
8. The Partners may communicate with the managing partner and each other via email, using an email list to be established for that purpose by the managing partner. The partners agree that communications via email will be civil, polite and respectful of others' opinions. The managing partner may, in its discretion, suspend the email privileges of any partner not complying with this provision. If a partner repeatedly abuses such email privileges by posting what, in the reasonable judgment of the managing partner, are defamatory, abusive or *ad hominem* messages, the managing partner may return such partner's capital account balance, net of any outstanding cash calls, and the partner will forthwith cease to be a partner.

9. Except as provided in this Agreement, all Partnership funds shall be used by the Partnership for the purchase of thoroughbred race horses and for payment of reasonable, ordinary and necessary operating expenses of the horse and the Partnership, including but not limited to trainer fees, trainer and jockey shares of purse earnings, farriers' and veterinarians' bills, horse transportation costs, licensing and entry fees, and related services or activities. In addition, the managing partner shall charge the Partnership an overhead fee (the "Overhead") in lieu of charging the partners for the costs of maintaining the business and running the office; such Overhead to include office rental, bank fees, accounting and tax software, publications, dues and subscriptions, office staff, copies, postage, telephone, office supplies, information expense, and other reasonable administrative expenses, but shall not include costs attributable to sales of Partnership Interests or to partner liaison. The Overhead fee shall be set at \$475 per month per partnership for the balance of 2010, and shall be adjusted at the beginning of each year thereafter, to take account of changes in the costs of doing business.
10. The Partnership shall contribute 1.0% of all purses won to equine and race track related charities.
11. The managing partner shall maintain the Partnership accounts and shall regularly provide each Partner with reasonably detailed statements of Partnership income and expenses. The funds of the Partnership shall generally be deposited in a bank account in the name of Castle Village Farm LLC and may be commingled with the funds of other Castle Village Farm partnerships. The managing partner shall ensure that sufficient funds are on deposit with the horsemen's bookkeeper at each track where the Partnership is racing to enable the Partnership's horses to be entered in races.
12. The managing partner shall arrange in a timely fashion for the filing of Partnership tax returns and for the provision of Internal Revenue Service Form K-1s and such other information as Partners may reasonably require in preparing their individual tax returns. Profits and losses shall be allocated among the Partners in proportion to their Partnership Interests and otherwise as required by Subchapter K of the United States Internal Revenue Code. All costs of bookkeeping, financial statements and tax return preparation shall be included in the Overhead.

13. In return for its services in establishing and managing the business of the Partnership, the managing partner shall receive the incentive payments set out below.
 - (a) The managing partner shall receive five percent (5%) of all purses, bonuses and state owner or breeder awards earned by the Partnership's horses
 - (b) With respect to each horse owned by the Partnership, the managing partner shall receive ten percent (10%) of any purses, bonuses or awards earned by the horse in excess of \$100,000 while racing for Castle Village Farm, and 15% of any purses, bonuses and awards so earned in excess of \$200,000.
 - (c) With respect to any horse sold by the Partnership or claimed away, the managing partner shall receive the greater of five percent (5%) of the sale or claim price or ten percent (10%) of the excess of the sales price over the price paid by the Partnership to acquire the horse.
14. The managing partner shall receive an amount equal to 12.5% of the total initial capitalization of the partnership, as described in Article 16 below. This amount shall be in lieu of any sales commissions payable in connection with the formation of the partnership and any compensation for the managing partner's expertise in identifying suitable horses to claim.
15. The Partnership shall bill partners monthly for their pro rata share of all amounts currently due and payable with respect to the training and care of their horse[s], and for their share of the Overhead fee. Any Partner who fails to deliver his or her pro rata share within 15 days after receipt of such notice or to make arrangements with the managing partner for the later payment of such Partner's pro rata share in the event of the Partner's unforeseen absence or other emergency may be charged the greater of (a) a late fee of \$25 or (b) interest on the amount due at 24% per annum, beginning on a date 15 days after receipt of the monthly bill and continuing until the date of payment. Any such late fee or interest received shall be credited to the Partnership as a whole. If a Partner has not paid all outstanding cash calls and interest charges within 60 days from the date of receipt of the first unpaid item, that Partner (a "Defaulting Partner") shall (a) not share in any distributions made to Partners until the Defaulting Partner has fully paid all outstanding cash calls, and any such distributions that would have been due to such Defaulting Partner shall instead be paid, pro rata, to those Partners who

are in good standing with respect to their cash calls, and (b) the managing partner may, in its discretion, forfeit any or all of the Defaulting Partner's interest in the Partnership, and that forfeited Partnership Interest shall thereupon be distributed pro rata to the remaining Partners.

If a Partner is due to receive a distribution from the Partnership or from any other Castle Village Farm partnership as of the end of any month and that Partner owes any money to the Partnership or to any other Castle Village Farm partnership, the amount of that unpaid cash call will be deducted from the distribution otherwise payable.

16. At the conclusion of each month, if the Partnership's horses have earned purse money during that month, or if any of the Partnership's horses have been sold during the month, the managing partner shall distribute to each Partner that Partner's pro rata share of excess Partnership funds. Such excess funds shall be deemed to exist when the cash on hand as of the end of a month exceeds the aggregate amount of bills then due and payable, plus, in the absolute discretion of the managing partner, a reserve for anticipated expenses for up to three months, including, but not limited to, the possible purchase of additional horses for the partnership.
17. The Partnership shall not terminate if a Partner ceases to be a Partner. Any Partner wishing to sell his or her Partnership Interest must offer that Interest to the other Partners for a period of at least 15 days before entertaining other offers. Thereafter, the Partner wishing to sell may accept an offer from someone not a Partner, provided such offer is higher than the amount offered by any existing Partner during the 15-day period described above, and provided that the managing partner has approved the admission of such purchaser as a Partner, which approval cannot be unreasonably withheld.
18. The Partnership's initial capital shall be not less than \$17,500 and not more than \$50,000.

The Partnership shall close, and no additional partners may be admitted, in the sole discretion of the managing partner, at the later of (a) when not less than \$17,500 has been subscribed, (b) when the maximum capital of \$50,000 has been subscribed, (c) when the Partnership's horse first races for the ownership of Castle Village Farm, or (d) but in any event not later than December 31, 2010. If, in the last case, less than \$17,500 has been subscribed, the managing partner shall refund all subscriptions and terminate the Partnership.

19. Each Partner's exact percentage share (their "Partnership Interest") shall be determined by the amount that has been subscribed by each Partner as of the closing date of the Partnership, as defined above. The managing partner shall advise all Partners as to their actual percentage interest as of the closing date.

The Partnership shall consist of not fewer than 17.5 and not more than 50 Partnership units, each with an initial cost of \$1,000. If total Partnership capital is \$50,000, then each \$1,000 unit will represent a 2% Partnership Interest. If total Partnership capital is \$30,000, then each \$1,000 unit will represent a 3.33% Partnership Interest. A person may hold more than one unit, and partners in other Castle Village Farm partnerships may purchase half-units in the Partnership.

20. If a horse owned by the partnership is claimed, the Partnership shall continue and claim another horse, unless three-quarters of partnership interests vote to terminate the partnership and distribute the claim proceeds. In the absence of such a vote, the partnership shall terminate on December 31, 2012, unless the Partnership owns a horse on that date, in which case the Partnership shall terminate as soon thereafter as the Partnership no longer owns any horse. On the termination date, the managing partner shall arrange for the orderly disposition of Partnership assets and the distribution of proceeds to the Partners in proportion to their Partnership Interests. For purposes of this Article, the managing partner's good-faith determination of the value of Partnership assets shall be conclusive.
21. This agreement may be amended by a three-quarters majority vote of all Partnership Interests.
22. This agreement shall be construed in accordance with, and the Partnership shall be governed by, the laws of the State of New York.



**SIGNATURE PAGE
CASTLE VILLAGE FARM
2010 Saratoga Claiming Partnership**

Dated as of the _____ day of _____, 2010

Signature of Partner

Partner's Name (Please print)

Street Address (not P.O. Box)

City, State, Zip Code

Email Address

Telephone

Social Security Number (for Tax Return purposes only)

\$ _____
Amount Enclosed (or contributed via Paypal)

**Please sign and fill out this signature page, and mail it, with your check,
payable to Castle Village Farm LLC, to:**

**Castle Village Farm LLC
106 7th St. Suite 204
Garden City NY 11530**

**Or, you may pay via PayPal, to: CVFRacing@gmail.com. If you use PayPal,
please mail the partnership signature page to the above address.**