



CASTLE VILLAGE FARM 2011 SARATOGA CLAIMING PARTNERSHIP

Partnership Agreement

This partnership agreement is entered into as of the date below, by and among Castle Village Farm LLC (the "Managing Agent") and the General Partners whose names appear on the signature pages hereof.

1. Castle Village Farm 2011 Saratoga Claiming Partnership (the "Partnership") is a general partnership formed under New York law, operating from the date of this agreement until terminated as provided in Article 20.
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 Agent will be Castle Village Farm LLC. The "managing owner" for purposes of race track licensing, claims 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. 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 owner, solely for the purpose of complying with licensing requirements in other jurisdictions, and the managing owner will account to the Partnership for any earnings and costs associated with such races.

4. The Managing Agent or any successor Managing Agent 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 Agent 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 Agent will select a new trainer who will succeed to all the duties and responsibilities of the trainer.
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 Agent, 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.
6. Except where this agreement specifies otherwise, all decisions of the Partnership will be made by the Managing Agent.
7. Meetings of the Partnership may be called either by the Managing Agent 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 must be in writing, including email, and must be given at least two weeks in advance of the meeting. Notice will be deemed to be received when mailed, if by first class mail, or when electronically sent to a Partner's email address, as furnished by that Partner to the Managing Agent, if emailed.
8. The Partners may communicate with the Managing Agent and each other via email, using an email list to be established for that purpose by the Managing Agent. The Partners agree that communications via email will be civil, polite and respectful of others' opinions. The Managing Agent 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 Agent, are defamatory, abusive or *ad hominem* messages, the Managing Agent may return such Partner's capital account balance, net of any

outstanding cash calls, and the partner will immediately cease to be a Partner.

9. Except as provided in this Agreement, all Partnership funds will be used by the Partnership for the purchase of thoroughbred race horses and for payment of the reasonable, ordinary and necessary 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 Agent will charge the Partnership an office and administration fee (the "Overhead") in lieu of charging the partners for each and every cost or expense of maintaining the business and running the office; such Overhead will include office rental, bank fees, accounting and tax software, dues and subscriptions, office staff, copies, postage, telephone, and office supplies and other reasonable administrative expenses, but will not include costs attributable to sales of Partnership Interests, to organizing the Partnership or purchasing a horse for it, or to partner liaison activities. The Overhead is \$485 per month per partnership for the balance of 2011, and may be adjusted at the beginning of each year thereafter, to take account of changes in the costs of doing business.
10. The Partnership will contribute 1 % of all its gross purses to equine and racetrack-related charities.
11. The Managing Agent 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 will 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 Agent 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 Agent 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 will 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 will be included in Overhead.

13. In return for its services in establishing and managing the business of the Partnership, the Partnership shall pay the Managing Agent the amounts set out below.
 - (a) Five percent (5%) of all purses, bonuses and state owner or breeder awards earned by Partnership's horses.
 - (b) An additional five percent of any purses, bonuses or awards (i.e., a total of 10%) earned by any horse that has earned in excess of \$100,000 while racing for Castle Village Farm, and another five percent (i.e., a total of 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 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 Partnership will pay the Managing Agent 15% of the total initial capitalization of the Partnership. This amount includes sales commissions of 10% payable in connection with the formation of the Partnership, and 5% as compensation for the Managing Agent's expertise in identifying suitable horses to purchase.
15. The Partnership will 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 Overhead. Any Partner who fails to pay his or her pro rata share within 15 days after receipt of such notice or to make arrangements with the Managing Agent 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 will be credited to the Partnership as a whole. If a Partner has fallen 60 days or more behind in payments, as described in this Article, that Partner (a "Defaulting Partner") will (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 will instead be paid, pro rata, to those Partners who are in good standing with respect to their cash calls, and (b) the Managing Agent may, in its discretion, forfeit any or all of the Defaulting Partner's interest in the

Partnership, and that forfeited Partnership Interest may, in the Managing Agent's sole discretion, thereupon be distributed pro rata to the remaining Partners or sold to one or more partners in this or other Castle Village Farm partnerships.

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 Agent will distribute to each Partner that Partner's pro rata share of excess Partnership funds. Such excess funds will 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 Agent, 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 will 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 Agent has approved the admission of such purchaser as a Partner, which approval cannot be unreasonably withheld.
18. The Partnership's initial capital will not be less than \$32,000.

The Partnership will close, and no additional partners will be admitted, no later than when the Partnership's horse first races under the ownership of Castle Village Farm. If the partnership fails to raise initial capital of \$32,000 by August 31, 2011, the Managing Agent may refund all subscriptions and terminate the Partnership or, with the permission of a majority of those who have, as of that time, subscribed for Partnership Interests, extend the deadline for receiving subscriptions.

19. Each Partner's exact percentage share (their "Partnership Interest") will 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 Agent will advise all Partners as to their actual percentage interest as of the closing date.

The Partnership will consist of not fewer than 32 Partnership units, each with an initial cost of \$1,000. If total Partnership capital is \$40,000, then each \$1,000 unit will represent a 2.5% Partnership Interest. If total Partnership capital is \$50,000, then each \$1,000 unit will represent a 2.0% Partnership Interest. A person may hold more or than one unit.

20. If a horse owned by the partnership is claimed away, the Partnership will continue and claim or purchase 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 will terminate on December 31, 2015, unless the Partnership owns a horse on that date, in which case the Partnership will terminate as soon thereafter as the Partnership no longer owns any horse. On the termination date, the Managing Agent will 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 Agent's good-faith determination of the value of Partnership assets will be conclusive.
21. This agreement may be amended by a three-quarters vote of all Partnership Interests.
22. This agreement is to be construed in accordance with, and the Partnership will be governed by, the laws of the State of New York.



**SIGNATURE PAGE
CASTLE VILLAGE FARM
2011 Saratoga Claiming Partnership**

Dated as of the _____ day of _____, 2011

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 otherwise contributed)

**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 Seventh Street
Suite 204
Garden City NY 11530**

**Or, you may pay via PayPal, to CVFRacing@gmail.com. If you use PayPal,
please fill out and sign this partnership signature page, and send it to the
above address.**