

THOROUGHBRED LEASE SYNDICATE AGREEMENT

AL MAHER / CUMULOUS - Bay Filly 11 August 2008

DYNAMIC SYNDICATIONS

(Dean Watt Thoroughbreds Pty Limited trading as)

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The purpose for which the syndicate is being formed: The purpose of Thoroughbred Racing only through a registered lease with Racing NSW. The Lessor is Emirates Park Stud, Murrurundi NSW.

Rights and obligations of syndicate participants: The rights and obligations of each syndicate participant will be as set out in this document and will also be governed by the Australian Rules of Racing. A copy of the Australian Rules of Racing is available from the Racing NSW website.

Details of term of the lease: The lease is for a period effective from 1 August 2010 until close of business Tuesday 31 July 2013.

The equal number of membership participants in the syndicate: The syndicate consists of 10 equal participants. Dean Watt acting as the Responsible Officer of Dynamic Syndications has the right to retain one unit holding invites other Dynamic Syndications clients or associates to join to create a syndicate with a total of 10 equal participants.

A description of the horse to be leased by the syndicate, i.e. date of foaling, sex, sire, dam, colour and if registered the name and registration number of horse:

Bay Filly foaled 11 August 2008.

Sire = AL MAHER - Dam = CUMULOUS

Brands: Nr Sh: Capital Reverse E and P conjoined between horizontal waves - Off Sh: 5 over 8

Details of racing performance(s) of the horse (if raced): Unraced

Name of the Trainer and where horse is to be stabled: KEVIN MOSES at RANDWICK. At the commencement of the lease the trainer is Kevin Moses at Randwick. The intent is that Kevin Moses will train the horse throughout the lease period. If at any stage throughout the lease the majority of participants as recorded by a formal vote wish to move the horse to another trainer the administration manager will effect the change on behalf of the syndicate members. Alternatively

should the trainer elect to no longer train the horse based upon any reason whatsoever the administration manager shall take a vote and determine the findings of the majority and execute the transfer of the horse from the Kevin Moses stable to another stable or retire the lease.

Details of syndicate participant's raceday entitlements: Each 10% syndicate participant will have their name recorded in the racebook and be entitled to receive full raceday privileges.

Name of the Racing Manager of the Syndicate: The Racing Manager of the syndicate under AR (1) is the first named person on the Racing Papers. This will be Dean Watt as manager of the Dynamic Syndications Racing Syndicate. The first named person as a condition of this syndicate transfers the Racing Manager powers under AR (1) to the appointed Administration Manager of this partnership. Each partner appoints the Administration Manager as its attorney to give effect to this clause and agrees to do all other things necessary to give effect to this clause.

Name of the Administration Manager of the Syndicate: The Administration Manager of the syndicate will be Dean Watt Thoroughbreds Pty Ltd, trading as Dynamic Syndications. The responsible officer of Dynamic Syndications as recorded with the ASIC is Dean Watt. The Administration Manager is responsible for all aspects of the management of the racing career of the horse and acting under power of attorney for all syndicate members represents the syndicate as the syndicate's Racing Manager. Also the Administration Manager controls the management of communications between the partners and the stables, the stable and the partners, and is responsible for the provision of all administrative services and trust accounts to the syndicate. The Administration Manager also represents all owners individually under power of attorney with the relevant Racing Authority relating to the administration of each partner's entitlements to any incentive scheme reward that the syndicate racehorse may be entitled to participate according to the partner's agreed method of payment where applicable.

Details of establishment costs incurred from 1 August 2010 to 31 October 2010 for this lease: Incurred establishment costs from the 1st August 2010 to 31st October 2010 are \$1,299.00 per 10% participant. This amount will be levied per syndicate participant upon entry to the syndicate. Such establishment fees shall include Share Application Fee, Breaking-In, BOBS entry fee, Professional Indemnity Insurance, Racing NSW Statutory Cost, Veterinary Inspection, Transport to Oakridge Spelling Farm, Horse Husbandry holding costs and any other Miscellaneous costs. A breakdown of these costs is located in the annexure to this document.

Details of proposed ongoing Racing Expenses to be incurred by the syndicate participants: We estimate that, under normal circumstances, an average fee of \$300.00 per month x 12 (approximately \$69.00 per week x 52 or \$3,600 per annum) per 1/10th participant will cover the normal annual agistment, training and other miscellaneous expenses charged by the trainer and suppliers and any other racing related expenses incurred by the syndicate. The monthly fee above is exclusive of GST. Payments will be due and payable by each of the syndicate participants directly to the Trainer and any other industry suppliers within 30 days of receipt of an invoice.

The above amount is an estimate only and the total amounts invoiced and payable will vary from month to month.

The above amount is calculated based upon the currently quoted Training, Pre-Training, Agistment, Transport, and all other industry associated costs as at the time of the creation of this document. These costs are subject to periodical review and potential change from the suppliers. We are unable to give any guarantees that individual suppliers will not change their service supply rates throughout the term of this syndicates lease.

Syndicate participants are required to meet their registered percentage of the ongoing horse husbandry and management expenses from the 1st August 2010 until termination of the lease. These expenses from the suppliers will be accounted monthly in arrears. All syndicate participants are only liable to meet their own expenses. No syndicate member is liable for any other third party's debt.

If any invoices payable by a syndicate member remains outstanding for a period of longer than 92 days, then the Administration Manager has the right to cancel that participants percentage and offer this to another member or independent third party, provided that final written notice of the pending sale has been forwarded to the defaulting partner's last known address 14 days before any proposed repossession / cancellation takes place. The defaulting syndicate participant remains personally liable for any unpaid debt.

Each member appoints the Administration Manager as its attorney to give effect to entering into a contract on their behalf to engage the services of a trainer or any industry supplier to train or supply service to the syndicates leased horse and indemnifies the Administration Manager (and its officers and employees), the Racing Manager and the Dean Watt Thoroughbreds Pty Ltd trading as Dynamic Syndications (its officers and employees) against any claims made by the trainer or suppliers against any syndicate members outstanding accounts owed to the trainer or to the suppliers for goods or services supplied in the training and or care of the syndicate's horse .

Details of Syndicate Participants inherent financial risk in racing thoroughbreds: Each syndicate member acknowledges that thoroughbred racing is highly speculative. Whilst the purpose of the syndicate is to race for entertainment, recreational sport and financial return, not all racehorses win, place, earn prizemoney or start in a race or barrier trial.

No guarantees can ever be implied or given by any party that any thoroughbred offered by Dynamic Syndications is assured of any racetrack success and syndicate participants who proceed to race this horse do so fully accepting they may incur expenses without any financial return.

Dean Watt Thoroughbreds Pty Ltd trading as Dynamic Syndications (and its officers and employees), as the creator and facilitator of this lease do not accept any liability from any participant against any potential financial losses any syndicate member could potentially incur based upon the execution of the Administration and Racing Management services throughout the term of the lease or due to unsuccessful racetrack performance or illness or injury or the early termination of the leased thoroughbred in accordance with standard industry practice. This clause is to be read in conjunction with the clause STATEMENT OF STANDARD INDUSTRY RISKS - RACING located at the end of this document.

Each member appoints the Administration Manager as its attorney to give effect to this clause and agrees to do all other things necessary to give effect to this clause.

Details of ongoing Administration Expenses to be incurred by each member in the syndicate:

A set fee of \$66.00 (inclusive of GST) per calendar month, is payable monthly “in advance” by either direct debit or credit card deduction payment “only” and is charged by the Administration Manager to each member (see banking documentation attached). This charge is separate to the proposed Racing Expenses as stated in the clause above. This Administration Expense is for costs incurred by the Administration Manager in providing the services described in the “Name of the Administration Manager” clause of this document. This monthly fee is equal to \$792 inclusive of GST per annum. This fee is due and payable equally by each participant and is irrespective of any other horse any syndicate participant may currently have with Dynamic Syndications.

Distribution of any prizemoney: Any prizemoney won by this horse is subject to a statutory deduction under the Australian Rules of Racing of 15% being (a) 10% to the registered trainer and (b) 5% to the jockey.

Two additional fees are charged with this lease being (c) A lease rental fee to the lessor Emirates Park Stud is charged at 33% of the gross prizemoney won. (d) A 2% success fee is charged by the Administration Manager to the syndicate for all prizemoney won or any incentive scheme bonus monies won.

The balance amount of prizemoney remaining after the above deductions are applied totals 50% and is distributed equally as per the syndicate members registered participation.

The Process of the Prizemoney Distribution: All prizemoney won will be received by direct deposit into Dynamic Syndications Westpac Trust Account specifically for created for the receipt of prizemoney and then disbursed within 21 days to the bank accounts as supplied by each syndicate member at time of registration.

How did Dynamic Syndications obtain the horse to be leased ? The horse was leased from the lessor Emirates Park Stud to Dynamic Syndications taking effect 1 August 2010 and to expire no later than 31 July 2013. Dynamic Syndications has the right to retain one unit holding and invites other Dynamic Syndications clients or associates to join to create a syndicate with a total of 10 equal participants to race this horse under a lease registered with Racing NSW.

A statement by Dynamic Syndications as to required insurance: Mortality insurance is not required as the syndicate does not own the horse. Insurance for mortality remains the responsibility of the lessor. The syndicate is required to pay an ASIC compulsory annual fee of \$138.00 (plus GST) for Professional Indemnity Cover during the term of the lease.

A Veterinary Certificate prepared by a qualified Veterinary Surgeon, completed less than thirty days prior to the date of the document accompanies this application. No financial or other interest is held by the Veterinarian in the syndicate. See attached veterinary document.

A statement by Dynamic Syndications as to the correctness of the Veterinary Certificate: We consider that the attached veterinary certificate is fair, accurate and able to be relied upon for the purpose to determine whether any person wishes to become a syndicate member. We have no

knowledge of any event that has, or would be likely to have, changed the veterinary status of the horse(s) since the date of the veterinary certificate.

A statement by Dynamic Syndications as to the financial relationship and involvement of the Administration Manager, regarding the trainer and the individual syndicate participants:

The Administration Manager shall receive remuneration as follows:

(a) “From each Syndicate Participant” – As is declared in the “Details of proposed ongoing Administration Expenses” clause of this document, a set fee of \$66.00 (inclusive of GST) per calendar month is charged by the Administration Manager for administration expenses (GST, Account Fees, Telephone, SMS, Fax, Website Mailbox Maintenance including Software Licence Fee, etc) This fee is equal to \$792 including GST per annum. This fee has been included in the budget estimates located in the clause of this document titled “Details of proposed ongoing Racing Expenses to be incurred by the syndicate”

(b) “From each Syndicate Participant”- Additional to the standard monthly charges in clause (a) above, there will be two once only upfront fees which have been included in the establishment costs. The first is an administration application fee levied by Dynamic Syndications to each member to join the syndicate of \$100 plus GST and the second is a \$80 plus GST Dynamic Margin Fee.

(c) “From each Syndicate Participant” – As is declared in the “Distribution of any prizemoney” clause in this document, a success fee of 2% of all gross prizemoney and bonus money won by the horse is charged by the Administration Manager.

(d) “From the Trainer” – a set fee of 7.5% of the advertised daily training rate (current average \$6.60 per day) is charged by the Administration Manager directly to the Trainer (only) for our management and communications support. This fee is only payable by the trainer to the Promoter for each day the horse is specifically in his stables and under his care.

A statement whether Dynamic Syndications owns the horse or whether the horse is in any way encumbered: The horse is currently owned by the Lessor Emirates Park Stud and is supplied with clear title to Dynamic Syndications acting as the facilitator of the Lease on behalf of the syndicate.

A statement by Dynamic Syndications as to Racing Colours the horse will carry: All horses under the control of Dean Watt Thoroughbreds Pty Ltd trading as Dynamic Syndications and managed by Dynamic Syndications acting as the Administration Manager shall race in the registered corporate colours of Dynamic Syndications.

Set 1: White Jacket, Dynamic Syndications Logo on Chest & Back, Red Cap

Set 2: White Jacket, Dynamic Syndications Logo on Chest & Back, White Cap

Set 3: Pale Blue, Red Sash, White Sleeves, Red Cap

(Note: The second and third sets of colours are only applicable when two or three horses managed by Dynamic Syndications are competing in the same race. The horse which is to carry the first set of colours shall be determined as the highest ranked horse in the field as declared by the handicapper).

A statement that the application monies will be held in a separate trust account by Dynamic Syndications until Racing NSW has registered or refused to register the syndicate lease:

Dynamic Syndications has an established trust account at Westpac Banking Corporation for all monies received from prospective syndicate members in relation to this lease.

A statement confirming that there is a standard cooling-off period: A 14 days “cooling off” period applies in relation to this lease. Dynamic Syndications will refund the application fee to any syndicate member following written advice from that participant that he or she does not wish to proceed with the lease PROVIDED THAT this advice is received within 14 days of the date of receipt of the application fee by Dynamic Syndications.

A statement by Dynamic Syndications as to the distribution of any Racing NSW Breeder Owner Bonus Scheme (BOBS) Monies (Where Applicable for BOBS Eligible Horses):

For any BOBS eligible horse, Dynamic Syndications as the Administration Manager of the syndicate and acting under power of authority from all partners, in the event that a BOBS bonus is won, Dynamic Syndications where applicable for any BOBS entitlements won will take the bonus as “cash only” and not in the form of double up vouchers.

The Owners entitlement is equal to 80% of the advertised bonus. Terms and Conditions of the BOBS scheme, examples of owners entitlements and the scale of BOBS bonus prizemoney available is located upon the Racing NSW website

A statement regarding decisions to be made in relation to the horse: All decisions relating to the general horse husbandry and aspects of the racing career of the horse are to be made by the Administration Manager after due consultation with the trainer. Any significant decisions about the racing career or retirement are to be made by the Administration Manager after due notification to all syndicate members and then upon a vote passed by the members holding a majority of shares.

The syndicate participants shall from time to time, by a resolution passed by its members holding a majority interest, determine if and when the syndicate shall activate a cancellation of the lease if required prior to the expiry date of the lease being 31 July 2013.

The Administration Manager has the authority to change the appointed licenced trainer on behalf of the syndicate upon a vote syndicate members holding a majority of shares.

Each partner appoints the Administration Manager as its attorney to give effect to this clause and agrees to do all other things necessary to give effect to this clause. All decisions about the racing career are to be made by the Trainer and the Administration Manager jointly as industry experts.

Details of early termination procedures of the lease: At any stage and for whatever reason throughout the term of the lease prior to the termination date of 31 July 2012, at the expiry of one calendar month’s written notice to the Lessor Emirates Park Stud by the lessee (Dynamic Syndication as Administration Manager), the lease may be terminated without penalty. Such a decision will be duly considered in consultation with each syndicate member and then determined by the Administration Manager to be in the best interests as per the syndicate majority. The syndicate on expiry or early termination of the lease is required to return the thoroughbred subject to the lease to Emirates Park Stud at Murrurundi NSW.

Details of immediate early termination procedures of the lease: Any event that results in an immediate and significant emergency veterinary treatment with a value greater than \$1,500.00 which includes expensive surgery and lengthy recuperation shall then after due notification, be borne by the Lessor Emirates Park Stud only. Should such an event occur then in these exceptional circumstances the Administration Manager has the right on behalf of the Lessees to terminate the lease with immediate effect.

Details for an individual syndicate participants early exit procedure: Any syndicate member may withdraw from the lease independently of all other syndicate members for whatever reason prior to the 31 July 2013 expiry by: (a) Giving 30 days written notice to the Administration Manager (b) The withdrawing participant meeting all their outstanding debts to the trainer and suppliers prior to the expiry of the 30 days written notice (c) Payment of an early lease termination fee of \$250 plus GST on the expiry of the 30 days written notice.

A statement regarding any perceived conflict of interest: Dynamic Syndications have declared on our website information page relating to this lease and also declare in this document that we have a working relationship with the Lessor Emirates Park Stud.

Dynamic Syndications does not rely upon the promotion of horse racing schemes as its sole source of income. Dynamic Syndications and its Responsible Officer, as a recognised industry expert, derive additional income from various consultancies, marketing, promotion, training or other horse racing industry related business activities, for which a commercial fee may be charged or a commercial discount may be received. The thoroughbred racing industry is a small and specialised industry with a restricted supply base. These characteristics of the industry make it probable that Dynamic Syndications (including its directors and/or employees) has had past business dealings or has current or ongoing dealings with suppliers; for example, with the lessor of horse, trainer and veterinarians (including, for the avoidance of doubt, every supplier in relation to the horse which is the subject of this document).

All dealings between Dynamic Syndications and such suppliers in respect of the horse(s) which are the subject of this document have been entered into, on commercial terms and at market rates.

It is likely that the Trainer may decide to become a syndicate member in this horse. Other suppliers may also decide to become a syndicate member in a horse. Any such participants will be on the same terms as set out in this document, including as to the application and management fees payable.

Information about dispute resolution available to the subscriber: Ongoing horse husbandry and racing issues are governed by the applicable provisions of this document and the Australian Rules of Racing.

A partner should first contact the Administration Manager to attempt to resolve any dispute in relation to horse husbandry or racing. If the dispute has not been resolved within 5 business days of contacting the Administration Manager, then the partner or the Administration Manager may submit their concerns to the Stewards Department at Racing NSW.

STATEMENT OF STANDARD INDUSTRY RISKS - Racing

- (a) Not all thoroughbreds proceed to become racehorses.
- (b) Racing is highly speculative. Whilst it is the purpose of the syndicate is to race for recreational sport and financial return, not all racehorses win, place, earn prizemoney or start in a race. No guarantees can ever be implied or given by any party that any thoroughbred offered by Dynamic Syndications is assured of any racetrack success.
- (c) Racehorses could be injured and require recuperation periods which can be expensive and lengthy in the case of major or persistent injuries and or may be unable to race again.
- (d) With the exception of well bred and highly performed entire horses, suitable to become stallions at stud, male racehorses are unlikely to have any significant value at the end of their racing career.
- (e) A very high percentage (approximately 95%) of male racehorses are gelded as part of standard industry practice. No guarantees are ever implied or given that any male racehorse will not be gelded.

I confirm that:

- a) **The statements contained in the document in relation to the syndicate are true, and not misleading in their form or content.**
- b) **The document contains all information which syndicate members and their advisers would require and reasonably expect to find in the document for the purpose of making an informed assessment about joining the syndicate.**



Signature

Dean Watt

Director / Responsible Officer

Dynamic Syndications

Date: 24 September 2010

DISCLAIMER

These Lease documents are created only for clients & associates of Dynamic Syndications and are not made available to members of the public in compliance with the Corporations Act. Racing Leases do not receive relief under Class Order 02/319. Racing NSW as a result does not accept receipt of any Product Disclosure Statement for Lease syndicates. Whilst leases are registered with Racing NSW these Racing Leases do not fall under the role of Racing NSW acting in their capacity of Lead Regulator. No liability as to the contents of this document is taken by Racing NSW, its officers, employees or agents.

In particular (but without prejudice to the generality of this disclaimer) Racing NSW does not warrant and has no responsibility for, the commercial merits of the scheme referred to in the document, the manner in which the syndicate is operated, or the taxation position (if any) to which the scheme may give rise.



Signature of Promoter:.....

Dean Watt

Director / Responsible Officer

Dynamic Syndications

Date: 24 September 2010

ANNEXURE 1

* A statement setting out expenses incurred in the formation of this syndicate for lease.
AL MAHER / CUMULOUS - Bay Filly 11 August 2008
COSTS FROM 1/8/10 – 31/10/10 (inclusive)

(A) Various Acquirement Costs for the Horse	\$ 2,262 +
(B) Horse Husbandry Accounts Budgeted to 31/10/09	\$ 6,904
(C) Syndicate Creation Expenses	<u>\$ 2,475</u>
<u>SUB-TOTAL COSTS</u>	\$ 11,641 +
(D) GST on above costs	\$ 1,164
(E) Racing NSW Registration Fees (all GST Exempt)	<u>\$ 185</u>
<u>SYNDICATE EXPENSE</u> (including GST to 31/10/09)	<u>\$ 12,990</u>

(A) **VARIOUS ACQUIREMENT COSTS** = \$2,262 + GST

Acquirement Costs:

\$760 + GST

Veterinary work conducted in Selection Process including: Physical Inspection and Veterinarian Travel Fee divisible pro-rata = \$220
Veterinary Endoscopic Review pro rata = \$190
Dynamic Syndications costs for on farm inspection and selection pro rata = \$280
Pedigree Rating Analyses = \$70

Insurance Premiums:

\$138 + GST

Professional Indemnity Cover (ASIC Compulsory)

Race Series Eligibility Payments:

\$1,364 + GST

BOBS – 2 & 3yo Seasons = \$600 + GST

BOBS Extra – 4yo + for races 1600m and further = \$764 + GST

(B) **HORSE ACCOUNTS BUDGET TO 31/10/10** = \$6,904 + GST

August – September - October 2010:

Transport to and from Educators and Emirates Stud = \$370

Breaking-In Fee (5 weeks) = \$2,540

Agistment from Date of Entering Acquirement Agreement with Emirates Park Stud being 1 August 2010 to Date of Transfer to Oakridge 9 September 2010 being 41 days at \$24 per day = \$984.

Transport from Emirates Park Stud to Oakridge Spelling Farm NSW = \$650

Agistment 22 days Oakridge at \$30 per day to 30 September 10 = \$660

Agistment month of October 31 days = \$930

Farriers – 2 x Trims and Shod = \$295

Veterinary – Drenches and Miscellaneous 1/8 – 30/10 = \$315

Dentist = \$160

(C) **LEASE SYNDICATE CREATION EXPENSES** = \$2,475 + GST

Accounting & Legal Pro Rata = \$475

Veterinary Report for PDS Pro Rata = \$200

Application Administration Fees for Lease Holding Units = \$1,000

Dynamic Syndications Margin on this Promotion = \$800

(E) **GST** = \$1,164

(10% Goods & Services Tax)

SUB-TOTAL COSTS

\$12,805 +

(F) **STATUTORY FEES** = \$185

(*Racing NSW Registration Fees are GST Exempt)

Registration of the Horse = \$100

Registration of a Dynamic Syndications Racing Syndicate = \$35

Registration of the Lease Agreement = \$50

TOTAL ACQUIREMENT CHARGES (including GST) to 31/10/10 = **\$12,990**

**TOTAL AMOUNT PAYABLE PER
10% MEMBER
TO JOIN THIS LEASE SYNDICATE
(INCLUDING GST & ALL COSTS FROM 1/8/10 TO 31/10/10)**

\$ 1,299.00

LEASE SYNDICATE PARTICIPATION APPLICATION FORM

PARTICIPANT'S ACKNOWLEDGEMENT

I declare that I have read and understood the document hereto attached and that I have accepted its terms and conditions and hereby agreed to participate in the syndicate being formed to lease the following thoroughbred:-

AL MAHER / CUMULOUS - Bay Filly 11 August 2008

Signature of Syndicate Participant: _____

Date _____

Full Name of Participant: _____

Residential Address:

Participant's Percentage Size of this Syndicate: _____

Date of Birth: ____ / ____ / ____

Home: _____

Work: _____

Mobile: _____

Fax: _____

E-mail: _____

Participant's choice of a "Racing Name" to be submitted for this horse:

To: Racing NSW & RISA - POWER OF ATTORNEY

In accordance with this document relating to this lease, I hereby appoint and authorise Dean Watt, Director and Responsible Officer of Dynamic Syndications, acting as the Administration Manager, to sign the documents regarding initial registration of the "Lease Of A Racehorse" and any future "Cancellation Of A Lease Forms" and "Lease Of A Racehorse" documents or "Any Other Administration Documents" as required by Racing NSW or RISA to be completed on my behalf for the above horse and to represent my interests in "All racing related matters" and I agree to do all other things necessary to give effect to this clause.

Signature of Participant: _____ **DATE:** / / 2010.