

Note: The following English translation has been excerpted from the original Conditions of Sale in Japanese and is provided for reference purposes only. In the event of any discrepancy between the Japanese original and the English translation, the Japanese original shall prevail.

[TRANSLATION]

Conditions of Sale

Chapter 1: General Provisions

Article 1: Compliance Obligation

Any party who has made an application to sell a horse (hereinafter referred to as a “Sale Applicant”) and any party who has made an application to purchase a horse (hereinafter referred to as a “Buyer”) shall comply with all Market Operation Rules to ensure the smooth operation of the market.

Article 2: Location of the Livestock Market

The livestock market (hereinafter referred to as the “Market”) shall be located at 8-13 Samenokuchi, Gomiwatari, Fukuchi-mura, Sannohe-gun, Aomori.

Article 3: Type of Livestock Handled

The type of livestock handled shall be Thoroughbreds and Thoroughbred-derived breeds.

Article 4: Date of the Market

The date of the Market shall be determined by the board each year and shall be the date that is notified to the governor and subsequently publicly announced.

However, if a proper reason exists, the date of the Market may be changed, with the notification of the new date being formerly made to the governor.

Article 5: Operating Hours of the Market

The hours of the Market shall be from 6 a.m. to 5 p.m.

However, if livestock trading is not completed within this timeframe, trading may be extended.

Article 6: Tying up of Horses

1. Horses to be put up for sale shall not be tied up at the Market unless they have been examined at the livestock clinic on the Market site and pronounced free of any animal infectious diseases set forth in Article #2 of the Act on Domestic Animal Infectious Diseases Control.

2. Horses to be put up for sale shall be tied up at locations specified by the organizer of the Market.
3. If the organizer of the Market deems that a horse poses a danger to other horses due to a disease other than the infectious diseases identified in Article 2 of the Act on Domestic Animal Infectious Diseases Control, or due to bad, or unruly behavior resulting in requests that the horse not be admitted. Should this request occur, the Sale Applicant for the horse shall comply with any request that the horse in question should be placed in isolation from other horses, or that restrictions be placed on its movement.

Article 7: Procedures for Having a Horse Tested by a Veterinarian

1. Livestock traders may ask the veterinarian stationed at the livestock clinic on the Market site on the day of the Market to test a horse in question to determine the presence of any disease.
2. If a livestock trader requests an examination pursuant to the preceding paragraph, said livestock trader shall inform the market administration office.

Chapter 2: Method and Procedures for Livestock Trading

Article 8: Method of Livestock Trading

Horses put up for sale at the market shall be traded for sale, or purchase, and said sales and purchases shall be conducted by auction.

Article 9: Sale Applications

A Sale Applicant shall record on a separately prescribed sales application, the names and addresses of the Sale Applicant for the horse, the owner, the farm where it was bred and the breeder. This application shall also include the horse's breed, sex, age, diseases, bad habits, expected selling price and whether documentation attesting to its breeding potential and pedigree exists. This sales application shall be submitted to the market administration office.

2. A Sale Applicant shall obtain a horse number card, attach it to a designated part of the horse, and follow the instructions given by market staff in the paddock.

Article 10: Purchase Applications

Buyers shall inform the market administration office of their name and address and the number of horses they intends to purchase and deposit an amount determined in accordance with the number of horses they intend to purchased.

2. The market administration office shall issue the Buyer with a deposit receipt and a buyer badge with an assigned number.

3. The Buyer shall attach the buyer badge somewhere where it is easy to see.
4. Any person not wearing a buyer badge shall not be allowed to participate in the auction at the Market.
5. If Buyers wish to purchase more horses than planned, they shall promptly make an addition to the deposit referred to in paragraph 1, herein. Otherwise, they shall not be allowed to participate in the auction without approval of the organizer.
6. Buyers shall return their buyer badges to the market administration office prior to leaving the site.

Article 11: Public Announcement before the Start of Livestock Trading

When a horse is put up for sale, the organizer of the Market shall read out the information recorded in the auction name list, and based on information submitted by the Sale Applicant, whether the horse has any of the problems as set forth in paragraph 5 herein.

2. If Sale Applicants wish to add any information, or, after confirming the information recorded in the auction name list, notices any omission or error, they shall notify the organizer in writing before the start of the auction to request additions or corrections.
3. If the organizer has received a notification pursuant to the preceding paragraph, the organizer shall make the additions, or corrections on the auction stage.
4. If a bloodline registration certificate for any horse put up for sale in the foal market has yet to be issued, it shall be publicly announced on the day the horse is put up for sale that the bloodline registration certificate has yet to be issued.
5. The problems referred to in paragraph 1 herein shall be as follows:
 - (1) Bad habits (crib-biting, rotating, rocking, body-biting)
 - (2) Eye problems (cataracts, amaurosis, glaucoma), or moon blindness
 - (3) History of surgery on joints
 - (4) History of abdominal surgery
 - (5) Castration
 - (6) Missing teeth
 - (7) History of surgery under general anesthetic
 - (8) Wheezing due to semi-paralysis of larynx at a training sale

Article 12: Auction Method

1. Horses shall be put up for sale in the order specified by the organizer.
2. The auction method shall be the English method in principle, though under certain circumstances the Dutch method may be used. When the English method is used, the price shall rise in units of JPY 10,000.

Article 13: Determining the Successful Bidder

When the auctioneer has announced the highest bid three times and if no other

person tops this bid, the auctioneer shall designate the person who made this highest bid as the successful bidder.

However, if the bid is lower than the expected sale price carried on the sale application form, the Sale Applicant may refuse to sell the horse.

2. When the successful bidder has been determined, a member of the Market staff shall promptly announce the price and the buyer number, or name of the successful bidder.
3. Once the successful bidder has determined, no one may raise any objection.

Article 14: Cancellation of Contracts

1. If the livestock sold falls under any of the following paragraphs, the successful bidder may, after notifying the organizer of this, cancel the contract relating to the sale/purchase or reduce the amount to be paid.
2. If the successful bidders discover that a horse has any of the problems set forth in paragraph #3 herein and this was not publicly announced on the day the horse was put up for sale, he/they/it may notify the organizer in writing of this fact within 40 days of the day following the last day of the Market at which the horse was purchased. Should such a case occur, they shall attach a medical certificate.
3. The problems referred to in paragraph #2, herein shall be as follows:
 - (1) Bad habits (crib-biting, rotating, rocking, body-biting)
 - (2) Eye problems (cataracts, amaurosis, glaucoma) or moon blindness
 - (3) History of surgery on joints
 - (4) History of abdominal surgery
 - (5) Castration
 - (6) Missing teeth
 - (7) History of surgery under general anesthetic
 - (8) Wheezing due to semi-paralysis of larynx at a training sale
4. If organizer has received a notification from the successful bidder pursuant to paragraph #2 herein, the organizer shall promptly notify the Sale Applicant. A veterinarian working for, or designated by the organizer, shall confirm the information contained in the notification from the successful bidder and the successful bidder shall be notified of the results of this examination.
5. If the information in the original notification matches the results of the examination referred to in the preceding paragraph, the successful bidder may, through the organizer, cancel the sale/purchase contract.
6. The successful bidder may not transfer ownership of the horse to a third party until the results of the organizer's examination are known.

Article 15: Re-Auctioning

If no successful bidder for a horse put up for sale, the Sale Applicant may put the horse up for sale again.

2. A person intending to put a horse up for sale again, pursuant to the provision of the preceding paragraph, shall promptly inform the market administration office of this intention.
3. Re-auctions shall take place on the date to be determined by the market manager.

Article 16: Settlement

A successful bidder shall pay the winning bid price plus consumption tax (hereinafter referred to as the "Trading Price") within 30 days of the day following the day of the sale/purchase, by cash, or a check certified by a bank, or equivalent financial institution, at a place designated by the organizer into an account in the name of the organizer at a designated financial institution.

2. When making payment pursuant to the preceding paragraph, the successful bidder may allocate to the amount to be paid, the amount of his/her/its deposit corresponding to the number of horses purchased.

Article 17: Removal of Livestock

A horse may not be taken out of the market site without a livestock removal certificate unless the organizer gives its approval.

Article 18: Public Announcement Following the End of Livestock Trading

The following information shall be displayed at the market site by the day following the end of livestock trading:

- (1) The number of horses put up for sale by breed, sex and age
- (2) The number of horses sold in each of the categories in sub-paragraph (1)
- (3) The highest, lowest, and average trading price of horses in each of the categories in sub-paragraph (1)

Chapter 3: Market Administrators and Persons Involved in Trading

Article 19: Market Administrators

The following persons shall administer the Market:

- (1) Market manager: one person
 - (2) Auctioneer (appraiser): one person
 - (3) Veterinarians: several persons
 - (4) Market staff: several persons
2. The market manager shall give instructions to and supervise the auctioneer (appraiser), veterinarians and market staff.
 3. The persons referred to in the preceding paragraph shall wear a separately specified badge.

Article 20: Auctioneer (appraiser)

The auctioneer shall not engage in any of the following conduct:

- (1) Conspire with a Sale Applicant, or Buyer to impede normal trading, encourage any Sales Applicants, or Buyers, to collude on bids, or engage in other similar conduct
- (2) Receive, in connection to his/her professional duties, money, goods, or other benefits from a Sale Applicant, or Buyer
- (3) Be party to a sale
- (4) Deliberately prevent an auction from resulting in a sale
- (5) Announce prices in an unusual way, use jargon when doing so, or announce prices in an otherwise inappropriate way
- (6) Reveal the expected sale price carried on the sale application form to any other party

Article 21: Brokers

Brokers shall not be allowed to trade in the Market.

Chapter 4: Deposits and Fees

Article 22: Deposits

The amount of the deposit referred to in Article 10, paragraph #1 shall be at least JPY 1,000,000 per horse.

2. The deposit shall be paid in cash, with a check for which payment is guaranteed by a financial institution, or with equivalent securities that the organizer deems acceptable.

Article 23: Fees and Their Amounts

Fees shall be as follows:

- (1) The sales commission shall be five (5) percent of the sale price
- (2) It shall be (our (4) percent of the appraised value, regardless of the price at which it was withdrawn, for a horse withdrawn by its owner unsold after failing to reach the asking price.

However, this commission shall not be levied on horses withdrawn by owners applying from outside Aomori Prefecture.

Article 24: Action in Case of Breach of Contract

If a successful bidder is in breach of contract, said successful bidder shall pay the organizer a penalty equivalent to 50 percent of the successful bid price.

2. The penalty referred to in the preceding paragraph shall be given to the Sale Applicant for the horse concerned.

Article 25: Provisions Relating to the Maintenance of Order of the Livestock Market

The organizer may order any of the following persons to leave the site, or forbid them from entering the site for a specific period of time:

- (1) A person in breach of these operation rules
 - (2) A person who spreads false rumors at the Market about livestock not yet traded, or makes false statements to the Market
 - (3) A person who interferes with the business of the Market, or disrupts order, or is considered likely to do so
 - (4) A person who deliberately damages Market facilities, or harms livestock
 - (5) A person who does not follow the instructions of market staff
2. If the organizer has forbidden a person from entering the site, it shall display the name of the person and the reason for and period of the ban.

Supplementary Provision:

These rules shall take effect on April 12, 2004