

SMART LITTLE LENA SYNDICATE AGREEMENT

THIS AGREEMENT made as of the 13 day of April, 1984, by and between:

HANES CHATHAM and WILLIAM FREEMAN, Rt 3 Box 656
Wichita Falls, Texas, 76308 ("Sellers") and
("Syndicate Managers"); and

UNDERSIGNED, whose name and address is shown
below ("Co-Owner"); and

SUBSCRIBERS, who purchase Shares (hereafter
defined), execute counterparts of this Agree-
ment and thereby become a Co-Owner.

RECITALS

A. Sellers and persons identified in Exhibit A attached hereto are the Co-Owners of SMART LITTLE LENA, a registered 1979 Sorrel Stallion, American Quarter Horse Association Number 1565822 (the "Stallion"); ownership of the Stallion is in undivided interests, as set forth opposite the Co-Owners' names in Exhibit A.

B. Co-Owners desire to form a syndicate to govern the standing and development of the Stallion at stud for breeding purposes for the separate use and benefit of each Co-Owner.

C. Sellers desire to sell all or part of their undivided interests in the Stallion to the other Co-Owners or others who execute counterparts of this Agreement.

THEREFORE, in consideration of the mutual covenants of the parties hereto, it is agreed as follows.

1. Formation of Syndicate. As of the date hereof, the ownership of the Stallion has been divided into and represented by eighty (80) equal fractional interests, each such fractional interest ("Share") representing an undivided one-eightieth (1/80) interest therein, which shall be transferable as herein provided. Each share shall be on an equal basis with the others, and only

EXHIBIT

A

a full share shall have any rights hereunder. It is intended that Sellers will sell all or part of the Shares owned by them to the other Co-Owners or to other persons who shall execute counterparts of this Agreement and purchase Shares from Sellers at a price determined by Sellers. Title to the Shares sold hereunder shall pass to the buyer thereof upon payment of the purchase price.

2. Representations. Sellers represent that they have the right to sell any or all of their Shares subject to the terms of this Agreement. They further represent that there are no mortgages, liens or encumbrances against the Shares owned by them and that they will warrant and defend title to all Shares sold by them against all persons whomsoever.

3. Possession and Control. Sellers have present possession and control of the Stallion and will retain same at the Tommy Manyon Ranch, Aubrey, Texas, where he will stand at stud during the 1983 breeding season. The Stallion will stand in subsequent seasons at the same location or any other as determined by the Syndicate Managers. Hanes Chatham and William Freeman will continue to serve and act as Syndicate Managers unless and until otherwise determined by written agreement of the owners of three-fourths (3/4) of the Shares of the Syndicate.

4. Fertility. The Stallion has been certified by a veterinarian to be in good health, fertile and sound for breeding. Otherwise, Sellers make no warranties as to the horse.

5. Breeding Rights. For the purpose of this Agreement, a "nomination" is the right to breed one mare to the Stallion in each breeding season.

(a) Each Co-Owner in each breeding season [except as provided in Paragraph 5(b)] beginning in 1983, shall be entitled to one (1) nomination to the Stallion for each Share owned by him, subject to the payment to the Stallion Manager of a handling fee in the amount of \$250.00 per nomination during the 1983 breeding season and thereafter at a rate consistent with the practice of the industry.

(b) During the 1984 breeding season, each Co-Owner shall be entitled to two (2) nominations to the Stallion for each Share owned by him, again subject to the payment to the Stallion Manager of a handling fee per nomination at a rate then consistent with the practice in the industry.

(c) Nominations may be sold, exchanged or otherwise disposed of, provided written notice thereof is sent to the Syndicate Managers. There shall be no accumulation of nominations from year to year and no return to the Stallion for any reason, except as provided in Paragraph 5(h) below, and any nomination to the Stallion to which a Co-Owner is entitled in any breeding season which is not used or availed of in such season shall be lost and shall not be carried over into any subsequent breeding season.

(d) If the Syndicate Managers shall determine that the Stallion shall be bred to less than eighty (80) mares in any breeding season, then the Co-Owners who are entitled to such reduced number of nominations shall be determined by lot, and any Co-Owner who has suffered by reason of the drawing of lots in any year shall not be submitted to the risk of drawing in any subsequent year, unless and until all other Co-Owners have suffered as a result thereof. Notice of the decision to reduce the book to less than eighty (80) nominations and the time and place of the drawing shall be sent by the Syndicate Managers to each Co-Owner at least fifteen (15) days prior thereto.

(e) It is specifically understood that the Syndicate Managers cannot reduce the book of the Stallion below eighty (80) mares unless, at some future date, American Quarter Horse Association rulings on artificial insemination are changed to prohibit same and the health and condition of the Stallion will not permit natural service of eighty (80) mares or unless the Stallion becomes unable to produce a sufficient quantity of semen to artificially inseminate eighty (80) mares.

(f) For the purpose of this Agreement and the drawing of lots as set forth herein, each Share shall be regarded as if it were the subject of separate ownership.

(g) Each mare offered for breeding to the Stallion shall be in sound breeding condition and free from any infection or disease. Any mare certified by the veterinarian attending the Stallion not to be, in his opinion, in sound breeding condition and free from infection of disease shall not be bred to the Stallion.

(h) Any Co-Owner who nominates a mare that does not settle during the regular breeding season shall have the right to return the following breeding season with the same mare or an acceptable substitute mare. This return privilege extends for one (1) year only following the year in which the mare did not settle.

(i) Upon the affirmative vote of the owners of three-fourths (3/4) of the Shares of the Syndicate, the book of the Stallion may be increased in order to provide additional nominations to the Stallion Manager and to provide for donations to any stallion service auctions selected by the Syndicate Managers for promotional purposes.

6. Stallion Manager.

(a) The Syndicate Managers shall appoint a Stallion Manager who shall have full charge and control over management of the Stallion with respect to breeding rights. The Stallion Manager shall keep accurate records of all mares bred to the Stallion, the owners thereof, and the results of the breeding. He shall exercise his best judgment in booking mares during the breeding season so as to give each Co-Owner substantially equal treatment, without priority of one over the other.

(b) The Stallion Manager shall be entitled to five (5) free nominations to the Stallion in each breeding season for the performance of his services. Additionally, the Stallion Manager shall receive payment at the prevailing rate for the board and keep of the Stallion and any mares kept at the breeding farm. These payments are in addition to the handling fee specified in Paragraph 5(a) above.

7. Insurance. The Syndicate Managers shall cause the Stallion to be insured on behalf of the Syndicate, and each Co-Owner shall be separately responsible

for his pro rata share of the cost of insurance. In the event that any Co-Owner does not wish for the Syndicate Managers to insure his interest in the Stallion, he shall so advise the Syndicate Managers in writing of such desire within thirty (30) days after becoming a Co-Owner, and the Syndicate Managers shall, accordingly, reduce the amount of insurance then being carried. In the event that the Syndicate shall collect the proceeds of any insurance on the Stallion, any such persons advising the Syndicate Managers in writing of their desire not to have their interests insured shall not be entitled to receive their pro rata share of any such insurance proceeds.

8. Transfer of Units.

(a) Shares may be assigned and transferred subject to all of the terms and conditions of this Agreement; provided that the other Co-Owners shall have the first right to purchase any Share or Shares which any Co-Owner may at any time desire to sell. Any Co-Owner who receives an acceptable bona fide offer shall notify the Syndicate Managers, in writing, stating the amount of such offer and the terms and conditions thereof. The Syndicate Managers, as agent for the Co-Owners, shall then have fifteen (15) days immediately thereafter in which to accept or reject the offer. The Co-Owners will be notified in writing by the Syndicate Managers, or their designated representative, of such offer, and any Co-Owner who desires to purchase such Share or Shares shall notify the Syndicate Managers, in writing, within ten (10) days after the mailing of the Notice. If more than one Co-Owner desires to accept the offer, then the Syndicate Managers, or their designated representative, shall determine the purchaser thereof by lot. If the first right to purchase herein granted is not exercised, then the Co-Owner desiring to sell the Share or Shares may then sell such Share or Shares to the person originally making the offer upon the terms stated, subject, however, to all of the provisions of this Agreement.

(b) Shares may pass by inheritance, by will, by gift, or may be sold to members of the family of the Co-Owner or to an entity or trust in which he or his family owns more than fifty percent (50%) control without being subject to the provisions of the foregoing Paragraph

8(a), but otherwise shall be subject to all of the terms and conditions herein.

(c) Notwithstanding the foregoing subparagraphs of this Paragraph 8, or any of the other terms or provisions of this Agreement, Hanes Chatham and William Freeman may sell any or all of the Shares owned by them, provided that, if either or both of them decide to sell any of their respective Shares, such Shares must first be offered to the other Co-Owners, at the price determined by Hanes Chatham or William Freeman.

9. Control and Management of the Syndicate.

(a) Control and management of the operation of the affairs of the Syndicate is vested jointly in the Syndicate Managers, who shall be Hanes Chatham and William Freeman, or, if one of them shall cease to be a Co-Owner, then the remaining Syndicate Manager shall act alone. The Syndicate Managers will each have one vote with respect to the business of the Syndicate except as otherwise provided in this Agreement. A unanimous vote of the Syndicate Managers shall be required for ordinary and necessary business transactions of the Syndicate. The Syndicate Managers shall employ the usual care customarily employed in Texas in the management of the Stallion and upon so doing shall not be responsible for any injury, disease or death of the Stallion.

(b) The provisions of this Agreement shall remain in effect unless and until the owners of three-fourths (3/4) of the Shares shall determine otherwise (that is, the owners of three-fourths (3/4) of the Shares shall be in agreement).

(c) A meeting of the Co-Owners may be called at any time by the Syndicate Managers or by the owners of three-fourths (3/4) of the Shares. All meetings shall be held at a place specified by the Syndicate Managers or the owners of three-fourths (3/4) of the Shares, as the case may be. Written notice of each meeting must be given to all Co-Owners at least fifteen (15) days prior to each meeting; the notice shall state the time, place and purpose of the meeting, and each Co-Owner present in person or by proxy shall be entitled to one (1) vote for each Share owned by him.

10. Payment of Expenses. Each Co-Owner shall pay such proportion of all charges, costs and expenses incurred after the effective date in connection with the insurance, maintenance, care and promotion of the Stallion as the number of Shares owned by him shall bear to the total number of Shares. Notwithstanding the provisions of Paragraph 5, no Co-Owner who is in default in the payment of his share of the expenses as provided in this Paragraph 10 shall be permitted to breed a mare to the Stallion until his obligation has been satisfied.

11. Books and Records. Separate books and records of account shall be kept by the Syndicate Managers which shall accurately reflect all income and disbursements for and on behalf of the Co-Owners and which shall be subject to inspection by them at reasonable times during business hours. The Syndicate Managers shall furnish each Co-Owner each year, beginning with the year 1983, with a statement showing the results of the breeding season and the receipt and expenditures for the year and such other information as the Syndicate Managers may deem pertinent.

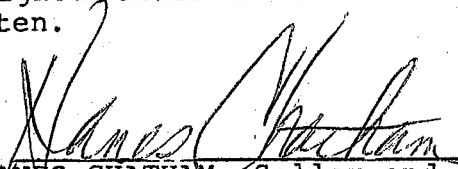
12. Election. The owners of Shares are co-owners of undivided interests in the Stallion. It is not the purpose or intention of this Agreement to create, and this Agreement shall not be considered as creating, a joint venture, partnership or other relationship whereby any party shall be held liable for the omission or commission of any other party, but, if for federal tax purposes, this Agreement or the relationship established hereby and the operations hereunder are regarded as a partnership, then each of the parties hereby elects not to be treated as a partnership, and further elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954. The Syndicate Managers are authorized to execute on behalf of each of the parties hereto such evidence of this election as may be required by Federal Treasury regulations. In making this election, each of the parties hereto states that the income derived by him from his co-ownership of the Stallion can be adequately determined without the computation of partnership taxable income.

13. Notices. All notices required hereunder shall be effective and binding if sent by prepaid registered or certified mail, telegram, cablegram or delivered in person to the address of the respective Co-Owners at the address shown herein, or as shall be hereafter furnished to the Syndicate Managers by any Co-Owner.


14. Binding Effect. When signed by Sellers and Co-Owner, this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns, and may be executed in several counterparts which shall constitute the agreement between the parties as if all signatures were appended to the original instrument.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas.

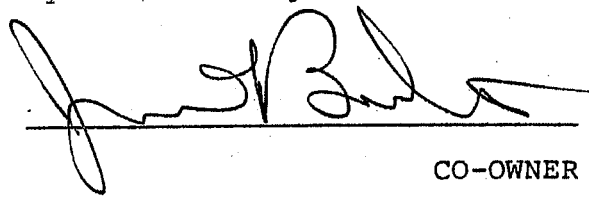
The parties have signed their names as of the day and year first above written.



HANES CHATHAM, Seller and
Syndicate Manager



WILLIAM FREEMAN, Seller and
Syndicate Manager



CO-OWNER

3333 Inwood Rd

Dallas, Texas 75235

(address)