

## Reference Material

### Paragraph 1, Article 27 of JRHA Horse Market Operating Regulations

#### Article 27. Prepayment Deposits

1. The amount of prepayment deposit set out in Paragraph 1, Article 16 shall be either (i) 50% of the buyer's estimated purchase amount to be calculated based upon the estimated number of horses and the estimated averaged price per horse to be purchased by the buyer or (ii) the minimum amount of prepayment deposit being twenty million yen (¥20,000,000.), whichever is the higher. Prepayment deposit shall be provided by way of either (i) paying in Japanese Yen currency by wire-transfer to the bank account designated by the Auction Holder or (ii) providing a yen-denominated stand-by letter of credit (whose face amount shall be equal to the applicable amount of prepayment deposit) issued by a financial institution which shall be subject to the Auction Holder's approval. Prepayment deposit shall bear no interest.
2. A buyer who has provided prepayment deposit or stand-by letter of credit may participate in the auctions during the Sale up to the extent of twice the amount of prepayment deposit or the face amount of stand-by letter of credit, as a matter of principle.
3. In case of prepayment deposit by wire-transfer, such prepayment deposit shall be applied to all or part of the purchase price on the day following the last day of the Sale. In case of prepayment deposit by way of stand-by letter of credit, the exercised amount of such letter of credit shall be applied to all or part of the purchase price, if the buyer fails to pay the purchase price by the due date as set out in Paragraph 1, Article 20. Further, if the penalty as set out in Paragraph 1, Article 29 has arisen, all or part of the prepayment deposit or the exercised amount of the stand-by letter of credit shall be applied to such penalty. If the buyer successfully bid more than one horse during the Sale, the prepayment deposit or the exercised amount of stand-by letter of credit shall be applied to the purchase price or the penalty (as the case may be) of each horse on a pro-rata basis.
4. If, following completion of payment (including application thereto) of all purchase price and/or penalty related to all horses that the buyer successfully bid during the Sale, there is any remainder in the prepayment deposit, the Auction Holder will repay it to the buyer without delay.