



Hibiscus Stables Prospectus

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Hibiscus Stables

During the summer of 2003 Hibiscus Stables was born. A group of three longtime friends decided to form a partnership and create a thoroughbred racing stable. They bought a share of a three-year-old colt named All Star Frank. In September 2003 they found themselves standing in the winner's circle at historic Belmont Park in New York, getting their picture



taken for the first time. One turned to the other and said, "Guys, your first horse wins its first race only once in your life, so enjoy every moment of this."



In April 2005 the friends attended the OBS April Sale in Ocala, Florida. They paid \$50,000 for the beautiful chestnut daughter of the multiple graded stakes winner City Zip. They reminisced about the warm, breezy, lazy summer in Saratoga Springs, New York watching City Zip win three graded stakes in a single meet. How incredibly thrilling it was for

these friends to now own one of his daughters from his first crop of two-year-olds. The friends named her She's Got Zip and soon discovered that she, indeed, was about to live up to her name.



In September 2005 at Saratoga, during the last weekend of the meet, She's Got Zip made her racing debut. She finished a strong third after a poor break and a steady drive to the wire. Zip went on to race a total of five times in 2005 and ultimately collected 2 wins, 1 second, 1 third, ran in a stakes race at Aqueduct, and earned over \$60,000 in purses. She accom-

plished much during her two-year-old season.

In April 2006 they returned to OBS April and purchased a stunning dark bay daughter of Grade 1 winner Salt Lake out of a Grade 1-placed mare named Top Ruhl. They named her Salt Water Reign. In January of 2007, in only her second career start, her "reign" began as she crushed a field of maidens winning by 6¼ ever-increasing lengths.

There's absolutely nothing like the experience of watching your jockey enter the paddock wearing your silks or seeing your name next to your horse in the program. Nothing can describe the intensity of watch-



ing your horse victoriously run down its opponents and cross under the wire first. You feel as if you have just conquered the world. Nothing can compare to standing in the winner's circle and having your picture taken next to the animal that you're so incredibly proud of, knowing that champions such as Seattle Slew, Affirmed, and the great Secretariat had stood on the same ground, in the same place.



In 2008 Hibiscus Stables will return to the spring sales in hopes of buying their next hero. They've retained the services of leading trainers and advisors to assist in the process. Currently, they're assembling partnerships in hopes of expanding their stable and sharing their incredible excitement with others; others who are just like they were in 2003.

They will study every page of the OBS' sales catalog and review countless tapes of the horses breezing before the sale. "We'll visit every barn and scrutinize every horse. We'll be disciplined in our bidding and be certain to return with the best athletes for the best prices."



And then the fun begins!

After the sale they typically send a horse to the farm for several weeks to relax and wind down from all the excitement and stress of the sale process. Then they ship the horse to the racetrack and begin light training, slowly progressing the horse's strength and stamina until it's ready to race.

When a Hibiscus horse is racing you'll be certain to see the Hibiscus team in the clubhouse restaurant, at the Hibiscus table, laughing, having fun and enjoying the camaraderie. This is what it's all about. And, sometimes, we all get our picture taken.



The Horses

Two-year-olds in training. You will receive a pro-rata share of the partnership commensurate with your investment.

Estimated Yearly Expenses

The expenses listed below are estimates only. Hibiscus Stables does not mark up any expenses. You will be responsible for a pro-rata share of the horse's expenses commensurate with your investment.

| PER HORSE | | |
|----------------------------|----------------------------|-------------|
| Estimated Monthly Expenses | Training (if at the track) | \$ 2,550.00 |
| | Training (if on the farm) | \$ 600.00 |
| | Veterinarian | \$ 625.00 |
| | Farrier | \$ 150.00 |

| ANNUAL ADMINISTRATIVE PER HORSE | | |
|---------------------------------|--------------------------------------|-------------|
| Estimated Expenses | One-time First Year Set Up | \$ 850.00 |
| | Annual Legal/Accounting | \$ 650.00 |
| | Quarterly Horse Management (\$500x4) | \$ 2,000.00 |

The Risk

Horseracing is an extremely speculative venture. There is no way to guarantee any level of success. Some horses never make it to the races, some race and never win. Others turn out to be great horses. Although we take every measure to have competitive athletes, again, there is no way to be certain how well a horse will perform.



The Reward

Unlike a mutual fund, we can't project future earnings. We can't even be sure there will be any future earnings at all. We can, however, guarantee that watching your horse bolt out of the starting gate and run in a race will be one of the most exciting moments of your life. We can also guarantee that, in the event that your horse wins, there will be no experience in your life to which you can compare. Being there when your horse comes back from the race and enters the winner's circle is something you'll remember for the rest of your life - just ask any of our owners.

Frequently Asked Questions

How do I earn money?

Hibiscus partners can earn money two ways. First, the partnership earns a percentage of the purse when the horses finish in one of the top five in a race. Listed below is an estimated breakdown of the purse money for a \$47,000 race. Second, the partnership may make additional money if we were to sell a horse privately.

| Purse Breakdown | \$ 47,000 |
|-----------------|-----------|
| 1st Place (60%) | \$ 28,200 |
| 2nd Place (20%) | \$ 9,400 |
| 3rd Place (10%) | \$ 4,700 |
| 4th Place (5%) | \$ 2,350 |
| 5th Place (3%) | \$ 1,410 |
| Others (2%) | \$ 940 |

| Race Financial Distribution |
|-----------------------------|
| Jockey Fee (10%) |
| Trainer Fee (10%) |
| Management Fee (10%) |
| Gate Fee (2.5%) |
| Barn Fee (3%) |
| Partnership (64.5%) |



When will the horses run?

If the horse is purchased as a two-year-old it is possible that it might see its first race within 4-5 months. In some cases it may take longer to bring the horse along. We can't guarantee how quickly a horse will be ready to race or, for that matter, if at all. Our plan is to select horses and a training approach geared toward quick results. We understand that the sooner a horse gets to the races the sooner it has an opportunity to produce earnings. That said, we will always do what's in the best interest of the horse and will never race a horse that's not fit.

At which tracks do the horses normally race?

Our stable is based in New York and our horses will primarily run on the New York circuit. In 2008 we'll be adding horses that will run in Southern California. If we have potential investors who are located in other areas of the country we will assemble a partnership and acquire horses to run on their local circuit. We have relationships with trainers at many major tracks and running horses outside New York will not be an issue.

How will I know when my horses are running?

Hibiscus Stables prides itself on our communication with our partners. Our website is updated daily whenever there is something pertinent to report. You will also receive e-mail notices for every horse's activity. You're a partner and keeping you in the loop is a primary responsibility.

What if I want to bring a group of people to the track with me?

Absolutely! As a matter of fact, we encourage it. The Hibiscus philosophy is "the more the merrier." Everyone is welcome at the Hibiscus table in the clubhouse. Just make sure you have a comb in case you get your picture taken!



Who is responsible for making racing decisions?

Typically our trainers will make racing decisions. Our trainers are experts at their job and have the best knowledge regarding when and where to run their horses. Of course, the Hibiscus managing partners will have constant contact with the trainers and have input in all racing decisions.

Once I become a partner, what will be my level of involvement?

You will be treated like a partner and will be given the opportunity to take stable tours, speak with the trainers and jockeys, etc. You will be welcome at the Hibiscus table in the clubhouse and will have full access to the paddock before any race. Of course, you'll also have full access to the winner's circle should your horse win and you'll be part of the win photo.

How often will I have to pay expenses?

Training and other expenses will be billed in advance quarterly. The ultimate goal in any partnership is that the horse, once it arrives at the track, will eventually pay for itself. Any purse earnings will be used to offset future expenses. In the event that purse earnings exceed expected next quarter expenses, a distribution will be sent to the partners.

If a horse's earnings are greater than its costs, when are the earnings distributed?

See above.

Are there costs related to each race?

Most races are free to enter. There is a jockey fee (\$65) and a pony to post (\$25). Stakes races sometimes have an entry fee.



What kind of financial and tax information will I receive?

You'll receive a quarterly financial statement and an invoice if retained purse money is not expected to cover the next quarter's expenses. Before March 15 of any calendar year you will receive a K-1 statement for your tax return.

What is the structure of a Hibiscus Partnership?

Each partnership will be formed as an LLC.

How do I join the Hibiscus Stables team?

Go to "Contact Us" on the website and e-mail or call us. We will review any questions and discuss the process with you. We're happy to have you aboard as part of the team.