

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER, dated as of _____, 2002 (this "Agreement"), is made and entered into by and among Arabian Horse Registry of America, Inc., a Colorado nonprofit corporation ("AHRA"), International Arabian Horse Association, Inc., a Colorado nonprofit corporation ("IAHA"), and the Arabian Horse Association, a Colorado nonprofit corporation ("Arabian Horse Association").

BACKGROUND

A. On September 18, 2002, Arabian Horse Association was formed as a Colorado nonprofit corporation under the Colorado Revised Nonprofit Corporation Act (the "Colorado Act") for the purposes set forth in the Articles of Incorporation attached hereto as Exhibit A (the "Articles of Incorporation") and the Bylaws attached hereto as Exhibit B (the "Bylaws"). Arabian Horse Association was organized and shall carry out such purposes as an organization described in Section 501(c)(5) of the Internal Revenue Code of 1986 or under the corresponding provisions of any future United States Internal Revenue law (as applicable, the "Code").

B. The boards of directors of each of IAHA, AHRA, and Arabian Horse Association deem it advisable and in their respective best interests to merge AHRA and IAHA with and into Arabian Horse Association (the "Merger") upon the terms and subject to the conditions set forth in this Agreement and in accordance with the applicable provisions of the Colorado Act.

C. On September 17, 2002, The Purebred Arabian Trust (the "Purebred Trust") was formed as a Colorado nonprofit corporation under the Colorado Act for the purpose of aiding, promoting, and fostering the preservation and use of purebred Arabian horses and the Arabian breed and to engage in undertakings incidental to or designed to further promote these objectives as provided in the articles of incorporation of the Purebred Trust and the bylaws of the Purebred Trust (as amended from time to time, the "Trust Bylaws"), a copy of which is attached hereto as Exhibit C. The Purebred Trust was organized and shall carry out such purposes as an organization described in Section 501(c)(5) of the Code.

D. In contemplation of the Merger and as agreed by IAHA and AHRA, prior to the Merger, certain assets of AHRA including a building, land, AHRA's membership interest in the Arabian Jockey Club and the registration database were transferred to the Purebred Trust, as more fully described in the Trust Bylaws and the License and Security Agreement between the Purebred Trust and Arabian Horse Association (as amended from time to time, the "License Agreement").

E. Prior to the Merger, certain of (i) IAHA employees were employed to carry out market development services, registry services, and other services relating to the functions of IAHA (the services and activities being carried on by such employees collectively being called the "IAHA Services"), and (ii) AHRA's employees were employed to carry out market development services, registry services, and services

relating to the Arabian Jockey Club, of which AHRA is the sole member, (the services and activities being carried on by such employees collectively being called the "AHRA Registry Services").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals (which are incorporated herein by this reference) and the covenants and agreements contained herein, AHRA and IAHA agree as follows:

ARTICLE I. MERGER

Section 1.1 Merger. AHRA and IAHA shall be merged with and into Arabian Horse Association upon the terms and subject to the conditions hereinafter set forth and in accordance with the Colorado Act, and the separate existence of both AHRA and IAHA shall cease. Arabian Horse Association, as the surviving corporation, shall continue to exist under and be governed by the Colorado Act.

Section 1.2 Effective Date of the Merger. Subject to Article V below, the Merger and all other provisions of this Agreement required to occur at or following the Merger shall be effective on the later of (a) January 1, 2003, or (b) within thirty (30) days following the date on which each of Arabian Horse Association and the Purebred Trust shall have received from the Internal Revenue Service documentation evidencing its status as an organization exempt from taxation under Section 501(c)(5) of the Code (the "Effective Date").

Section 1.3 Effect of Merger. On the Effective Date, the following shall occur:

(a) Property. Title to all real estate, intellectual property and other property, tangible and intangible, known and unknown, of both IAHA and AHRA owned immediately prior to the Merger shall be transferred to and vested in Arabian Horse Association without reversion or impairment in such form and with such accounting restrictions as exist thereon immediately prior to the Merger. Such transfer to and vesting in Arabian Horse Association shall be deemed to occur by operation of law under C.R.S. Section 7-131-104, and no consent or approval of any other person shall be required in connection with any such transfer or vesting unless such consent or approval is specifically required in the event of merger by law or by express provision in any contract, agreement, decree, order or other instrument to which AHRA or IAHA is a party or by which they are bound. Each of AHRA and IAHA shall at any time, or from time to time, as and when requested by Arabian Horse Association, or by its successors and assigns, execute and deliver, or cause to be executed and delivered in its name by its last acting officers, or by the corresponding officers of Arabian Horse Association, all such conveyances, assignments, transfers, deeds or other instruments, and shall take or cause to be taken such further or other action as Arabian Horse Association, or its successors or assigns, may deem necessary or desirable in order to evidence the transfer, vesting or devolution of any property, right, privilege or franchise

or to vest or perfect in or confirm to Arabian Horse Association, or its successors or assigns, title to and possession of all the property, rights, privileges, powers, immunities, franchises and interests now vested in AHRA or IAHA or to which any such corporation would have hereafter become entitled if it had not become a party to the Merger and otherwise carry out the intent and purposes hereof.

(b) Rights and Obligations. Arabian Horse Association shall succeed, by operation of law under C.R.S. Section 7-131-104, to all of the rights, obligations, and liabilities, known and unknown, accrued and contingent, of each of AHRA and IAHA.

(c) Proceedings. Any proceeding pending by or against AHRA or IAHA may be continued as if the Merger did not occur, or Arabian Horse Association, as the surviving corporation, may be substituted for IAHA or AHRA, as appropriate, in any proceeding against IAHA or AHRA.

(d) Policies, Procedures and Rules. Arabian Horse Association shall be deemed to have adopted (i) all existing policies, procedures and rules of IAHA, including those contained in the IAHA Handbook & Directory, and (ii) the rules, policies, practices, procedures and contracts of AHRA relating to registration and related matters of purebred Arabian horses; provided, however, that the foregoing is not intended to prohibit Arabian Horse Association management or Board or Directors, consistent with the authority of each, from modifying the general administrative policies such as travel policies or modifying or consolidating member participation programs.

ARTICLE II.

ARTICLES OF INCORPORATION AND BYLAWS

The Articles of Incorporation and Arabian Horse Association Bylaws shall be the articles of incorporation and bylaws of Arabian Horse Association, the surviving corporation, after the Effective Date until thereafter amended in accordance with the provisions thereof and the Colorado Act.

ARTICLE III.

DIRECTORS AND OFFICERS

The directors and officers of IAHA immediately prior to the Effective Date shall continue to serve in the same capacity with Arabian Horse Association after the Effective Date until such time as their term as an officer or director of IAHA would have expired and until their respective successors have been duly elected. Notwithstanding the foregoing, two At-Large Vice Presidents of Arabian Horse Association shall be appointed by the Trustees of the Purebred Trust for a term of one (1) year until their successors are selected by the Trustees of the Purebred Trust as provided in the Arabian Horse Association Bylaws, and (ii) four At-Large Directors of Arabian Horse Association shall be appointed by the Trustees of the Purebred Trust, with two At-Large Directors serving for a term of one (1) year, and two At-Large Directors serving for a term of two (2) years until their replacements are selected by the Trustees of the Purebred Trust. At-Large Directors shall be limited to two (2)

consecutive two (2) year terms; provided, however, that any At-Large Director who served a one (1) year term, as provided above, may be permitted to serve two (2) additional two (2) year consecutive terms.

**ARTICLE IV.
MEMBERSHIP**

Section 4.1 Membership of Merged Organization. The respective members of AHRA and IAHA as of the Effective Date who have paid all requisite annual membership dues to AHRA and IAHA, as appropriate shall become the membership of Arabian Horse Association on the Effective Date, with such membership continuing through the end of the then-current Arabian Horse Association membership year or other membership period; provided, however, that all members of AHRA and IAHA who have paid their dues for 2003 or have paid all of their dues for a multi-year period in either organization prior to the Effective Date shall not be subject to any increase until the period for which their dues have been paid has expired. Immediately after the Effective Date, Arabian Horse Association shall categorize all members of Arabian Horse Association into membership classes, the details of which are set forth in the Arabian Horse Association Bylaws. (Exhibit B)

Section 4.2 Lifetime Memberships. Arabian Horse Association shall recognize and honor the lifetime memberships granted and recognized by AHRA and IAHA as of the Effective Date. Honorary Directors of AHRA shall be recognized by Arabian Horse Association as Life Members as of the Effective Date.

Section 4.3 Sanctions and Penalties. Arabian Horse Association shall recognize and give full force and effect to any sanctions and penalties that have been imposed on members of IAHA and/or AHRA as of the Effective Date.

**ARTICLE V.
TERMINATION**

This Agreement may be terminated by the board of directors of AHRA, IAHA or Arabian Horse Association at any time prior to December 15, 2002, or by mutual agreement of the boards of directors of AHRA and IAHA at any time prior to the Effective Date. In such event, this Agreement shall become null and void, and there shall be no liability or other obligation between the parties.

**ARTICLE VI.
EMPLOYEES; EMPLOYEE BENEFITS**

Arabian Horse Association shall have exempt and non-exempt staff that may or may not be populated from current IAHA or AHRA employees. The Executive Vice President of Arabian Horse Association shall be Barbara Burck. Arabian Horse Association Executive Vice President shall attend to (i) filling Arabian Horse Association's staffing needs, and (ii) determining the best way to implement the transition of IAHA's and AHRA's software programs into Arabian Horse Association. To the extent that such recommendations affect the staff who would perform services currently constituting the AHRA Registry Services (the "AHA Purebred Registry

Services”), Arabian Horse Association shall have obtained the approval of the Trustees of the Purebred Trust before implementation thereof, which approval shall not be unreasonably withheld. In determining the reasonableness of withholding such approval, among other things, the Trustees of the Purebred Trust may consider the effect of the recommendations on the quality, information, speed, and integrity of the AHA Purebred Registry Services as they existed prior to the Merger as the AHRA Registry Services. All employees shall be subject to the personnel policies and procedures applied uniformly to employees or classifications of employees of Arabian Horse Association and subject to discipline, including discharge, should they fail to conduct themselves in accordance with such policies and procedures as the same may be modified from time to time. Nothing contained in this Agreement shall restrict the rights of Arabian Horse Association in any manner of “for cause” discharge. Arabian Horse Association shall honor all severance and consulting agreements entered into by either IAHA or AHRA prior to the Merger. All employees of AHRA and IAHA who become employees of Arabian Horse Association on the Effective Date shall be eligible to participate, or shall continue their participation without interruption, in all benefits and retirement plans available to employees of Arabian Horse Association and shall be given credit for all prior service with AHRA or IAHA, as applicable, such that there shall be no gap in coverage for such employees.

**ARTICLE VII.
GOVERNANCE AND STRATEGIC PLAN STUDY**

Within 60 days after the Effective Date, Arabian Horse Association, through the Governance Committee (as defined below) shall retain one or more firms (as applicable, the “Governance Study Firm”) to conduct an independent governance study and develop a strategic plan (the “Strategic Plan”) in order to determine the best governance structure for Arabian Horse Association.

The mediation teams of IAHA and AHRA who facilitated the Merger consisting of Robert Fauls, Henry J. Metz and Howard Pike from AHRA (the “AHRA Team”) and Van Jacobsen, Tom Connelly, Alan Sankpill, Bill Hughes and Barbara Burck from IAHA (the “IAHA Mediation Team”) and collectively with the AHRA Team, the “Governance Committee”) shall serve as a committee of Arabian Horse Association to make any modifications to the Engagement Letter they believe are appropriate and to work directly with the Governance Study Firm to oversee and monitor the Governance Study. The Engagement Letter shall require the Governance Study Firm to make written monthly reports to the Governance Committee and to complete the Governance Study and provide a final written report to the Governance Committee no later than August 1, 2003; provided, however, that the Governance Committee shall have authority to modify the dates for such reports.

As soon as practicable after receipt of the Governance Study Firm’s written report, the Governance Committee shall make recommendations based thereon (the “Governance Study Recommendations”) to the Board of Directors of Arabian Horse Association. In determining the Governance Study Recommendations, Governance Committee members representing IAHA shall have one vote collectively and Governance Committee members representing AHRA shall have one vote collectively. The Arabian Horse Association Board of Directors and convention delegates shall

consider the Governance Study Recommendations as soon as practicable, with the goal of making a final determination regarding the Governance Study Recommendations in 2003 or by the 2004 delegate convention at the latest. To the extent that the Governance Study Recommendations approved by the Arabian Horse Association Board of Directors require a change to the Arabian Horse Association Bylaws, such Arabian Horse Association Bylaws shall be presented for vote to the voting Delegates of Arabian Horse Association and the Arabian Horse Association Board of Directors at the delegate convention in 2004, or earlier if feasible. Upon obtaining proper approvals, the appropriate officers of Arabian Horse Association shall cause the Arabian Horse Association Bylaws to be revised accordingly, and the officers of Arabian Horse Association shall cause Arabian Horse Association to implement the Governance Study Recommendations so approved.

**ARTICLE VIII.
POSITIONS AND SALARIES; EXECUTIVE SEARCH**

Upon receipt of the Governance Study report but in no event later than August 1, 2003 (unless such date is modified by the Governance Committee as provided above), the Governance Committee shall determine whether to engage an executive study and search firm (the "Search Firm") to search for persons to fill some or all of the Senior Positions (the "Executive Search"); provided, however, that if the Governance Committee members cannot agree, a Search Firm shall be engaged if either the AHRA Team or the IAHA Mediation Team so requests; and provided further that the Search Firm may be engaged earlier than above provided if the Governance Committee so advises. The Search Firm selected shall (a) have no prior business or personal relationship with Arabian Horse Association, AHRA or IAHA, (b) be selected by the Governance Committee, and (c) be engaged by means of an engagement letter acceptable to the Governance Committee as the same may be amended or modified by the Governance Committee. One of the Search Firm's significant goals is to determine the job descriptions, qualifications, and compensation of the persons filling the positions in Arabian Horse Association of the Executive Vice President and other management positions reporting directly to the Executive Vice President (the "Senior Positions"). The objective of the search is to obtain the individual most qualified to achieve effective implementation of the Strategic Plan. The Search Firm shall work with the oversight of a Governance Committee subcommittee consisting of Alan Sankpill and Bob Fauls or their designees. Subject to the foregoing, Arabian Horse Association's Executive Committee shall have responsibility with respect to the hiring and termination of Arabian Horse Association's Executive Vice President.

**ARTICLE IX.
PUREBRED TRUST**

Section 9.1 Purebred Trust Assets; License Agreement. As provided above, prior to the Effective Date the assets of AHRA described above and in the Trust Bylaws shall have been transferred to the Purebred Trust. On the Effective Date, the assets of the Purebred Trust consisting of the AHRA registration database, as such database changes from time to time (the "Licensed Rights"), shall be licensed to Arabian Horse Association under the License Agreement. The legal ownership of the Licensed Rights shall remain with the Purebred Trust so that registration and other related activities may

continue should a bankruptcy or dissolution of Arabian Horse Association occur or in the event of failure to pay the Purebred Revenues as provided below; however, subject to the conditions stipulated in the License Agreement, Arabian Horse Association shall have the exclusive right to use the Licensed Rights, in perpetuity without payment of royalty in accordance with the License Agreement, with respect to its activities relating to purebred Arabian horses as well as Half-Arabian/Anglo-Arabian horses as provided therein.

Section 9.2 Trustees. The Purebred Trust shall have a Board of Trustees consisting of up to nine (9) members, with the number of Trustees fixed at eight (8) on the Effective Date. The initial Trustees shall be selected by AHRA and thereafter the Board of Trustees of the Purebred Trust shall be self-perpetuating.

Section 9.3 Duties of Trustees. The Trustees of the Purebred Trust shall perform the following duties:

(a) Appoint persons to fill the following positions of Arabian Horse Association, as such positions are described in the Arabian Horse Association Bylaws, as of the Effective Date, the expiration of their initial terms, and in the event of any vacancy:

- (i) Four (4) At-Large Directors,
- (ii) Two (2) At-Large Vice Presidents,
- (iii) One (1) member of the Ways and Means Committee,
- (iv) Three (3) members of the Market Development and Promotions Committee,
- (v) Three (3) members of the Registration Commission, and
- (vi) The six (6) members of the Racing Committee, which members shall be the Executive Committee of the Arabian Jockey Club;

(b) Oversee the corpus of the Purebred Trust,

(c) Approve or reject recommendations of staff positions to perform the AHA Purebred Registry Services as provided above in Article VI; and

(d) All responsibility relating to Arabian Horse Association's affiliation with the World Arabian Horse Organization and other purebred Arabian registries, and their respective successors and assigns, provided that the Trustees shall solicit input from the Arabian Horse Association Board of Directors.

Section 9.4 Expenses. Expenses related to the activities of the persons appointed by the Purebred Trust to the At-Large positions set forth above in carrying out their responsibilities including airfare, meals, hotels, and other accommodations, shall be paid for by Arabian Horse Association on the same basis, and to the same degree, as if such persons were serving as members of the Executive Committee of

Arabian Horse Association. All other committees and commission members appointed by the Trustees shall be reimbursed in the same manner as other Arabian Horse Association committee and commission members.

**ARTICLE X.
COMMITTEES AND COMMISSIONS**

Section 10.1 Composition of Committees and Commissions. Upon the Effective Date and except as provided above in Section 1.3, Arabian Horse Association shall be deemed to have adopted all of the existing committees and commissions of IAHA as described in the IAHA Handbook & Directory, and any person who is currently serving as committee or commission members of IAHA immediately prior to the Effective Date (except for IAHA's Half-Arabian and Anglo-Arabian registries board) shall remain committee or commission members of Arabian Horse Association until such time that their term as a committee or commission member of IAHA would have expired. The Half-Arabian and Anglo-Arabian registries board shall be modified to reflect this Agreement as it relates to the Registration Commission, as described below. Notwithstanding the foregoing, the members of committees to be designated by the Trustees, as set forth in Article IX, shall become members of such committees that exist in IAHA prior to the Effective Date. Arabian Horse Association shall have such other committees as are designated under the Arabian Horse Association Bylaws and this Agreement and Plan of Merger.

Section 10.2 Registration Commission.

(a) Composition. Arabian Horse Association shall have a Registration Commission whose members shall serve for three (3) year staggered terms. The Registration Commission shall be comprised of three (3) members selected to represent the interest of the purebred Arabian horse (the "Purebred Registry Members"), three (3) members selected to represent the Half-Arabian and Anglo-Arabian horse (the "Half-Arabian/Anglo-Arabian Registry Members"), and three (3) members selected by the above six (6) members (the "Other Members"). Initially, AHRA shall select one Purebred Registry Member to serve for a term of one (1) year, one Purebred Registry Member to serve for a term of two (2) years, and one Purebred Registry Member to serve for a term of three (3) years. Thereafter, the Trustees of the Purebred Trust shall select Purebred Registry Members each year to fill the vacancies created by the expiration of such terms, which successor members shall serve for a term of three (3) years. Initially, the Arabian Horse Association Board of Directors shall select one Half-Arabian/Anglo-Arabian Registry Member to serve for a term of one (1) year, one Half-Arabian/Anglo-Arabian Registry Member to serve for a term of two (2) years, and one Half-Arabian/Anglo-Arabian Registry Member to serve for a term of three (3) years. Thereafter, the Arabian Horse Association Board of Directors shall select Half-Arabian/Anglo-Arabian Registry Members each year to fill the vacancies created by the expiration of such terms, which successor members shall serve for a term of three (3) years. Initially, the Purebred Registry Members and Half-Arabian/Anglo-Arabian Registry Members shall select one Other Member to serve for a term of one (1) year, one Other Member to serve for a term of two (2) years, and one Other Member to serve for a term of three (3) years. Thereafter, the Purebred Registry Members and Half-Arabian/Anglo-Arabian Registry Members shall select Other Members each year to fill

the vacancies created by the expiration of such terms, which successor members shall serve for a term of three (3) years. Each year, the Registration Commission shall elect its own chairperson.

(b) Duties. The Registration Commission shall oversee the rules, policies, practices, and procedures applied to the registration and related matters of purebred Arabian horses (the "Arabian Horse Registry") and the rules, policies, practices, and procedures applied to the registration and related matters of Half-Arabian/Anglo-Arabian horses (the "Half-Arabian/Anglo Horse Registry"). The Registration Commission shall recommend modifications to the fees schedules for registration services carried on by each of the Registries and oversee, maintain, and improve the performance of the essential functions of the Arabian Horse Registry and the Half-Arabian/Anglo-Arabian Horse Registry. Notwithstanding the foregoing, (i) the Purebred Registry Members shall have absolute and final authority to interpret, modify, or amend the rules, policies, practices, and procedures applied to the registration of purebred Arabian horses, any such action requiring the unanimous consent of the Purebred Registry Members, and (ii) the Half-Arabian/Anglo-Arabian Registry Members shall have absolute and final authority to interpret, modify, or amend the rules, policies, practices, and procedures applied to the Half-Arabian/Anglo-Arabian Horse Registry, any such action requiring the unanimous consent of the Half-Arabian/Anglo-Arabian Registry Members. The official Registrar of the Arabian Horse Registry shall be designated by the Purebred Registry Members. The official Registrar of the Half-Arabian/Anglo-Arabian Horse Registry shall be designated by the Half-Arabian/Anglo-Arabian Registry Members. The Registration Commission shall direct the development of techniques and implement improvements required to meet the needs of conducting the Arabian Horse Registry and the Half-Arabian/Anglo-Arabian Horse Registry. The Arabian Horse Association shall develop and maintain customer service, software and other support required to manage Arabian Horse Association's registry functions including data management, retrieval, security, and sale.

(c) Indemnification. To the extent permitted by law, Arabian Horse Association shall indemnify members of the Registration Commission for their actions and omissions occurring while in carrying out the above-described duties to the same extent as indemnification is provided to Directors of Arabian Horse Association under the Articles of Incorporation.

(d) Registry Revenues. One third (1/3) of the gross revenues derived from the Arabian Horse Registry, including registration fees, transfer fees, service fees and administration fees (the "Purebred Revenues"), shall be paid to the Purebred Trust. Arabian Horse Association shall grant a security interest to the Purebred Trust in the Purebred Revenues in accordance with the terms of the License Agreement. One third (1/3) of the gross revenues derived from the Half-Arabian/Anglo-Arabian Horse Registry, including registration fees, transfer fees, service fees and administration fees (the "Designated Revenues"), shall be paid into the designated fund described in Section 10.3(c)(ii) below.

(e) Enforcement of Rules. Arabian Horse Association shall cause the Arabian Horse Registry and Half-Arabian/Anglo-Arabian Registry rules and procedures as set forth above (and as amended from time to time as set forth above, collectively,

the "Registration Rules and Regulations") to be enforced. In the event of legal challenge to the Registration Rules and Regulations or established procedures or in the event of need to take action to enforce the same, Arabian Horse Association shall be liable for the legal expenses of enforcing and/or defending them. In such event, the Purebred Registry Members, or the Half-Arabian/Anglo-Arabian Registry Members, as applicable depending upon the Registry Rules and Regulations at issue, shall be consulted on the selection of counsel and the defense or prosecution of claims. No settlement of any such matter having the effect of changing the Registration Rules and Regulations or established procedures of the purebred Arabian Horse Registration process shall be made without the express consent of the Trustees of the Purebred Trust. No settlement of any such matter having the effect of changing the Registration Rules and Regulations or established procedures of the Half-Arabian/Anglo-Arabian Horse registration process shall be made without the express consent of the Board of Directors of Arabian Horse Association.

Section 10.3 Market Development and Promotion Committee.

(a) Composition. Arabian Horse Association shall have a Market Development and Promotion Committee consisting of seven (7) members of which three (3) members shall be selected to represent the interest of the purebred Arabian horse (the "Purebred Members"), three (3) members shall be selected to represent the interest of the Half-Arabian/Anglo-Arabian horse (the "Half-Arabian/Anglo-Arabian Members") and one (1) member (the "Other Member") selected by the above six (6) members. Initially, the Trustees of the Purebred Trust shall select one Purebred Member to serve for a term of one (1) year, one Purebred Member to serve for a term of two (2) years, and one Purebred Member to serve for a term of three (3) years. Thereafter, the Trustees of the Purebred Trust shall select Purebred Members each year to fill the vacancies created by the expiration of such terms, which successor members shall serve for a term of three (3) years. Initially, the Arabian Horse Association Board of Directors shall select one Half-Arabian/Anglo-Arabian Member to serve for a term of one (1) year, one Half-Arabian/Anglo-Arabian Member to serve for a term of two (2) years, and one Half-Arabian/Anglo-Arabian Member to serve for a term of three (3) years. Thereafter, the Arabian Horse Association Board of Directors shall select Half-Arabian/Anglo-Arabian Members each year to fill the vacancies created by the expiration of such terms, which successor members shall serve for a term of three (3). Once the initial Purebred Members and Half-Arabian/Anglo-Arabian Members are selected, these six (6) persons shall elect by majority vote the initial Other Member to serve for a term of three (3) years and thereafter shall elect persons to fill vacancies create by the expiration of or resignation of the initial Other Member and succeeding Other Members. Each year, the Market Development and Promotion Committee shall elect its own chairperson.

(b) Duties. The Market Development and Promotion Committee shall be responsible for guiding Arabian Horse Association's marketing and promotional activities relating to the promotion of the Arabian horse. The committee shall formulate marketing and promotional plans for Arabian Horse Association and shall develop specific marketing and promotional activities.

(c) Funding. When a majority of the Market Development and Promotion Committee approves a marketing or promotional activity, the committee shall solicit funds from the following sources to fund the implementation of such approved activity:

(i) The Purebred Trust. The Trustees of the Purebred Trust shall determine whether, and to the extent, the specific activity serves the interest of the purebred Arabian horse and determine what portion, if any, of the solicited amount of funding it shall contribute to the activity, which determination shall be in the sole discretion of the Trustees.

(ii) The Designated Fund. Arabian Horse Association shall establish a designated fund (the "Designated Fund") comprised of the Designated Revenues for use by the Market Development and Promotion Committee. The Arabian Horse Association Board of Directors shall determine whether, and to the extent, an activity proposed by the Market Development and Promotion Committee should be supported by the Designated Fund.

(iii) The General Funds of Arabian Horse Association. The Arabian Horse Association Board of Directors shall determine whether, and to the extent, those activities should be supported by the general funds of Arabian Horse Association.

(d) Relationship with Arabian Horse Association Board of Directors, Committees and Commissions. The Market Development and Promotion Committee shall act independently from the Arabian Horse Association Board of Directors. The Arabian Horse Association Board of Directors cannot restrict the Market Development and Promotion Committee from seeking funding to implement its recommendations. However, the Arabian Horse Association Board of Directors may generate its own marketing and promotional activities and shall approach the Market Development and Promotion Committee to solicit funding from the Purebred Trust or the Designated Fund to implement these activities. If the Market Development and Promotion Committee does not endorse the activities proposed by the Arabian Horse Association Board of Directors and refuses to solicit funds from either the Purebred Trust or the Designated Fund, the Arabian Horse Association Board of Directors has the right (as it does with other corporate decisions) to direct funds from Arabian Horse Association's general funds to implement the activities. Arabian Horse Association and its committees and commissions shall make every effort to cooperate with and implement the approved programs of the Market Development and Promotion Committee.

(e) Staffing. Arabian Horse Association shall maintain a promotional staff for the purpose of developing, monitoring, and implementing promotional programs approved by the Market Development and Promotion Committee. The salaries and office related expenses of such promotional staff shall not be charged to the Market Development and Promotion Committee or the Purebred Trust and shall not be taken from the Purebred Revenues or the Designated Revenues but, instead, shall be paid by Arabian Horse Association's general funds within the limits of Arabian Horse Association's annual budget. Any reduction in promotional staffing levels required as a result of Arabian Horse Association having serious financial problems must be part of a

staff reduction applied uniformly throughout the entire staff of Arabian Horse Association.

Section 10.4 Racing Committee. The Racing Committee shall be composed of six (6) members, who shall be the members of the Arabian Jockey Club Executive Committee of the Purebred Trust, which members shall be actively involved in racing, and shall be responsible for the promotion, coordination, and general oversight of Arabian horse racing in the United States. The committee shall advise the Executive Committee of Arabian Horse Association, the Trustees of the Purebred Trust, and the Market Development and Promotion Committee on matters related to Arabian horse racing and shall suggest programs and prioritize and develop and obtain funding for action plans that will improve Arabian horse racing in the United States.

ARTICLE XI.

GOVERNANCE COMMITTEE AUTHORITY; DISPUTE RESOLUTION

Section 11.1 Continuance of Authority. The Governance Committee (known as the AHRA Mediation Team and the IAHA Mediation Team prior to the Effective Date) shall continue to oversee matters relating to the matters addressed in this Agreement including the Merger, the Governance Study (including the Strategic Plan), the Governance Study Recommendations approved by the Arabian Horse Association Board of Directors and delegates, and the Executive Search have been concluded and all matters required to be implemented in accordance with the foregoing (the "Merger Matters") have been implemented in their entirety (the "Concluded Date").

Section 11.2 Resolution of Disputes. Any dispute, claim, or controversy (a "Dispute") arising prior to the Concluded Date concerning a Merger Matter shall be presented to the Governance Committee for resolution without prior presentation to the Arabian Horse Association Board of Directors, the Executive Committee of Arabian Horse Association, or any other person or group. If, after reasonable attention to the Dispute, the Governance Committee believes that (a) the members of the Governance Committee will not agree upon a resolution of the Dispute, or (b) the Governance Committee believes that the Dispute can best be resolved without the initiation of dispute resolution through a third party source such as a third party mediator or arbitrator, the Governance Committee shall make a recommendation regarding the resolution of the Dispute to the Executive Committee, which recommendation shall state the basis therefor. In all other cases, the determination of the Governance Committee as to resolution of the Dispute shall be binding upon Arabian Horse Association. With respect to making determinations as provided in this Section, Governance Committee members representing IAHA shall have one vote collectively and Governance Committee members representing AHRA shall have one vote collectively.

ARTICLE XII.

MISCELLANEOUS

Section 12.1 Headings. The Article and Section headings used herein shall not be considered in interpreting or construing the provisions of this Agreement or the intent of the parties relating thereto.

Section 12.2 Amendment. This Agreement may be amended, modified or supplemented by written agreement of the parties hereto at any time prior to the Effective Date.

Section 12.3 Execution in Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same document.

Section 12.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

Section 12.5 Entire Agreement; Survival. This Agreement (together with the Exhibits hereto, which are hereby incorporated by this reference) constitutes the entire agreement between the parties relating to the subject matter hereof. The terms and provisions of this Agreement shall survive the Merger.

Section 12.6 Construction. Unless the context of this Agreement clearly requires otherwise: (i) the singular shall include the plural and the plural shall include the singular wherever and as often as may be appropriate, (ii) the words "includes" or "including" shall mean "including without limitation," and (iii) the word "or" is not exclusive.