

**AMERICAN QUARTER HORSE FOUNDATION
SCHOLARSHIP AGREEMENT**

Date Established: _____

Fund Name: _____

Donor(s): _____ AQHA ID: _____

_____ AQHA ID: _____

_____ AQHA ID: _____

Primary Contact: _____

Contact Address: _____

Contact Telephone: _____

Contact E-mail: _____

Initial contribution establishing the Fund's endowment will be based on, but not limited to, gifts or pledges identified in the Donor's Letter of Intent. Additional contributions may be made to the Fund, which shall become a part of the Fund's endowment unless otherwise specified by the donor.

Endowment: A permanent fund designed to preserve the gift in perpetuity. The amount available to distribute is based upon the Investment/Spending Policy and Procedures of the American Quarter Horse Foundation, as established by the Board of Trustees from time to time. A copy of the current Investment/Spending Policy and Procedures is attached hereto as *Exhibit A*.

For valuable consideration, the receipt and sufficiency of which is hereby acknowledged, this Agreement is entered into by _____ ("Donor" whether one or more) and American Quarter Horse Foundation, a Texas non-profit corporation, (the "Foundation") on the date set forth above. Donor hereby establishes the _____ Scholarship Fund (the "Fund") under the ultimate control of the Board of Trustees of the Foundation to be used to provide scholarships upon the criteria set forth on *Exhibit C* attached hereto and to be operated in compliance with applicable law including, but not limited to, IRS and U.S. Treasury Regulations. No part of this Fund may benefit Donor or parties related to Donor, including officers, directors, or top management or their families connected with the Donor's company, if applicable. No employee of Donor's company, if applicable has any specific rights in connection with this Fund.

All disbursements from the Fund shall be made in accordance with the Foundation's Investment/Spending Policy and Procedures, as the same may be amended from time to time including, but not limited to, any fee policies adopted from time to time. Furthermore, all disbursements from the Fund are subject to the Foundation's Program Policies and Procedures as the same may be amended from time to time. A copy of the Foundation's current Program Policies and Procedures is attached hereto as *Exhibit B*.

In the event the Fund becomes depleted so that it is no longer economically feasible to continue it as a separate fund, in the sole discretion of the Foundation, then the Foundation may combine the Fund with other assets of the Foundation to satisfy the purpose set forth above. Should the purpose for which the Fund is established no longer be applicable to the Foundation's mission, in the sole discretion of the Foundation, then so long as Donor is reasonably available, the Foundation shall request Donor's consent to allocate distributions from the Fund for purposes not currently permitted by this Agreement, which consent shall not be unreasonably withheld. If Donor is not reasonably available, the Foundation may use the funds for such purposes consistent with applicable law as it may determine in its sole and absolute discretion. The Foundation's determination of what is reasonably available shall be conclusive and binding on all persons for all purposes.

Annual reports concerning the Fund will be made available to Donor. Although the Fund will be accounted for separately, for administrative convenience, the Foundation may combine any investments or property of the Fund with other funds held by the Foundation for investment purposes. In accordance with the Foundation's Investment/Spending Policies and Procedures, donated securities and assets, other than cash or cash equivalents, will be liquidated as soon as practical, unless it is determined by the Foundation that it would be prudent to retain the assets donated or to sell at a later date. In any event, donated assets are subject to the provisions of law, including any statute or regulation, governing the Foundation's ability to retain any such asset. Donor hereby releases and holds harmless the Foundation, its employees, officers, Trustees, and representatives for any and all action taken with respect to the assets donated, including but not limited to their sale or maintenance.

This Agreement contains the entire agreement of the parties with respect to the matters covered hereby and supersedes all prior and contemporaneous agreements by the parties. It may be amended or modified only in writing executed by both parties. This Agreement shall inure to the benefit of the parties hereto and to their respective heirs, personal representatives, successors, and assigns. This Agreement shall be construed in accordance with the laws of the State of Texas. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and shall become binding on the parties hereto when one or more counterparts have been signed by each of the parties hereto and delivered to the other party.

If any provision of this Agreement or the application thereof to any person or circumstance shall, at any time or to any extent, be invalid or unenforceable, the remaining provisions of this Agreement shall not be affected thereby and shall continue to be valid and enforceable.

EXECUTED effective as of the date set forth above.

Donor/Representative

Donor/Representative

Donor/Representative

American Quarter Horse Foundation

By:_____

EXHIBIT A
INVESTMENT/SPENDING POLICY AND PROCEDURES

OBJECTIVES

The primary investment objectives are the provision of a reasonable steady stream of current income while preserving the principal value of the investment portfolios, providing liquidity for operations and covering the effect of inflation.

GOALS

The primary investment goal of AQHA is to maintain one year's operating budget in reserve in order to assure the ability of AQHA to:

- a) withstand adverse economic downturns without disruption of present programs and services;
- b) provide new and expanded programs and services to improve the breed and provide education about and promotion of the quarter horse; and
- c) replace property, plant and equipment as needed.

The primary investment goal of AQHF and other programs is to provide the highest possible portfolio return for use in operations and programmatic endeavors while avoiding undue risk of capital.

SPENDING POLICY

The Board has established a spending policy ("Spending Policy") for certain funds. These policies are as follows:

Association Fund: 5% per year of the fund balance or such other fixed amount as determined at a date approved by the IOC and Executive Committee

Foundation

Endowment Fund: 5% of trailing thirty-six month average principal market value of the invested funds. (fund includes investments for the operation of all Foundation related program administration and facilities)

Foundation General

Program Funds: 5% of trailing thirty-six month average principal market value of the invested funds. (funds include investments for the purpose of grant making to all Foundation programs)

Incentive Fund

& Racing Challenge: Distributions from each fund equals the yearly allocated percentage fund balances plus allocated earnings on the fund balance

August 2007

EXHIBIT B
PROGRAM POLICIES AND PROCEDURES
SCHOLARSHIPS

ENDOWMENT

Five percent of the Fund's thirty-six month trailing average (based on the principal market value of the invested fund) will be available annually for award disbursement. However, all calculations are subject to market fluctuations resulting in varied earnings and or losses to the invested fund balance.

Additional gifts or pledges received will be designated to expand the Fund's endowment. Earnings generated from these additional gifts to the Fund shall be allocated to ultimately increase the number of Recipients awarded each year. However, investment earnings from donations to the Fund must accumulate for a minimum of one fiscal year (October 1 through September 30) before being distributed to the Recipient. Earnings from donation(s) received after October 1 must be held for distribution until the next scholarship award disbursement cycle. Notwithstanding the foregoing, all disbursements are subject to the current Investment/Spending Policy and Procedures.

In order to promote growth of the Fund, at each fiscal year end (September 30), an evaluation of the earnings generated by the Fund shall be performed. Earnings in excess of three times current annual award disbursements shall be transferred to the Fund's endowment. This practice will allow the amount of the Fund's endowment to increase over a long-term period, ultimately increasing the amount available for future disbursements.

In the event no qualified Recipient is selected in any given year, the Foundation shall hold the funds available for award disbursement for potential reinvestment into the Fund's endowment, allowing future growth of the Fund as described in the above paragraph.

DISBURSEMENT

The amount available for scholarship disbursement will be based on the corpus amount of the Fund, length of the Recipient's academic enrollment as specified in the agreement and is subject to the current Investment/Spending Policy and Procedures for Foundation Program Funds.

Scholarships may be awarded on a four-year undergraduate, two-year graduate, doctoral or specialized degree plan based on criteria established by the Donor. Notwithstanding the foregoing, it is understood by the Donor that semester-by-semester disbursements shall be made, but not limited to, junior or community colleges, colleges or universities, vocational or technical schools or approved academic organizations, in the sole discretion of the Foundation, to satisfy the mission of the Foundation's programs and criteria established by the Donor.

RENEWAL

The Recipient must achieve, on an annual basis, the minimum grade point average identified in the scholarship criteria and recognized in *Exhibit C* of the agreement. Furthermore, the Recipient must maintain full-time enrollment of 24 undergraduate or 12 graduate semester hours per year.

In the event the Recipient does not satisfy the terms of enrollment or criteria established by the Donor, at the discretion of the Foundation, the Recipient may be placed on academic probation. Written notice of academic probation will be mailed to the Recipient upon the Foundation's notification of Recipient circumstance. The Recipient will remain on academic probation up to one year, pending completion of enrollment or scholarship criteria terms. In accordance with these terms, the Foundation may terminate disbursements to the Recipient.

PROMOTION

The Foundation will promote the Fund through, but is not limited to, press releases, special interest publications or targeted industry mailings.

Upon scholarship application submission, Recipient application and accompanying materials become property of the Foundation and information may be used, as deemed appropriate by the Foundation, to promote the Fund.

EXHIBIT C
SCHOLARSHIP CRITERIA

Criteria for the _____ Scholarship Fund
of
The American Quarter Horse Foundation

The purpose of the Fund shall be to provide scholarships to recipients ("Recipient" whether one or more) enrolled as a full-time student pursuing the following degree plan:

_____ Undergraduate (four-year) _____ Other (Please specify): _____
_____ Graduate (two-year) _____

Recipient must maintain a minimum 3.0 grade point average based on the 4.0 academic scale, or an estimated academic equivalent.

The selection criteria shall include financial need, academic achievement, American Quarter Horse involvement, leadership and communication skills or school and community activities as determined by the selection committee. Additional criteria may include (Check all that apply):

_____ Career Path/Recipient Major (Please specify): _____
_____ Geographic Residency (Please specify): _____
_____ State Affiliate Membership (Please specify): _____
_____ Other (Please specify): _____

The Recipient must be a current member of the American Quarter Horse Association and or the American Quarter Horse Youth Association.

Recipient is chosen by a selection committee as determined by the Foundation's Board of Trustees. Recipient must complete a current application for the year applying and submit by a date determined by the selection committee. Incomplete or late applications will not be eligible for consideration. Eligible applications will be reviewed by the selection committee based on selection criteria established hereto. Recipient approved by the selection committee will be submitted to the Foundation's Council and subsequently its' Board of Trustees for final approval.

In terms of scholarship renewal, the Recipient is required to submit a current academic transcript, copy of correspondence sent to the Donor and a check request form provided to the Recipient by the Foundation on an annual basis. Materials required for renewal of scholarship funding is a provision of all disbursements and is subject to the Foundation's current Program Policies and Procedures.

Notwithstanding the foregoing, it is understood by Donor that the Foundation reserves the power to modify any condition or restriction on the distribution of funds if, in its judgment, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable goals of the Foundation.