

INCENTIVE FUND

(a) GENERAL RULES AND REGULATIONS

(1) AQHA may invest funds received pursuant to the following rules in accordance with its current investment guidelines for AQHA's own corporate funds. Earned investment income from a particular year's fund shall be added to the Incentive Fund. AQHA may deduct accumulated cost of administering the program from the gross proceeds from the stallion and foal nominations, not to exceed 10 percent.

(2) All disputes arising out of the application or interpretation of any rules or conditions of the AQHA Incentive Fund shall be decided by the American Quarter Horse Association.

(3) AQHA, in its sole discretion, reserves the right to alter the conditions of all or part of the Incentive Fund program as it deems appropriate. AQHA, at its sole discretion, may also cancel the program at any time. Unless otherwise provided herein, funds received pursuant to these rules are non-refundable.

(4) An entrant is ineligible to participate in AQHA's Incentive Fund program where prohibited by law because of legal residence, situs of approved event, or any other basis, and all of the prohibited portion of the earned points or purse money shall be disregarded in calculations for an earned portion of the Incentive Fund.

(5) Fees received from stallion nominations (subsection (b) below), foal nominations (subsection (c) below), Incentive Fund Licenses (subsection (c) below) will be used to convert points earned at AQHA shows into premium money. Each point earned at an AQHA-approved show in the open and/or amateur division by an Incentive Fund nominated horse will be worth money, the exact amount to be determined by AQHA based on total money in the Incentive Fund for a given year divided by the number of points earned by Incentive Fund horses during that year. Additionally, Incentive Fund payouts shall be subject to the following graduated pay scale: 100% for .5 – 200 points; 50% for 200.5 + points. Incentive Fund money is not to be paid on points earned in Novice or Green classes or at Introductory Shows.

(6) Annually, out of the Incentive Fund money available for each point earned at an AQHA-approved show, fifteen percent (15%) will be awarded to the nominator of the sire for the breeding season in which the foal was conceived, fifteen percent (15%) will be awarded to the nominator of the foal, and the remaining seventy percent (70%) will be awarded to the record owner of the point-earning horse.

(7) Determination of who qualifies as the "record owner of the point-earning horse" is made at the time AQHA show results are officially processed and recorded by AQHA. If, at such time, AQHA records reflect that a person was the record owner of the horse at the time of the show in question, such person shall be considered the "record owner of the point-earning horse". If a point-earning horse is owned by multiple record owners during a year, the Incentive Fund money awarded to each of the record owners will be in proportion to the points earned during each record ownership period according to AQHA's records.

EXAMPLE

For example, pursuant to paragraph (5) above, if AQHA determines that each point is worth \$25, and a horse earns 60 points while under the ownership of record owner "A" and 40 points while under the ownership of record owner "B", then the premium money would be awarded as follows: (1) \$375 to the nominator of the sire (i.e., 15% of \$2,500); (2) \$375 to the nominator of the foal (i.e., 15% of \$2,500) (3) \$1,050 to record owner "A" (i.e., 70% X 60 points X \$25); and (4) \$700 to record owner "B" (i.e. 70% X 40 points X \$25).

(9) Calculation of total number of points earned by horses enrolled in the Incentive Fund Program during a calendar year as well as total number of points earned by each respective horse shall be based on the official show records of AQHA as of January 31 following the completion of the show year (January 1 – December 31) in which the points were earned. Subsequent correction of show results, for any reason, shall not affect calculation of winnings. All winnings are subject to Internal Revenue Service rules and regulations pertaining to withholding of tax and the reporting of earnings. Any payout checks which are less than \$10 will not be issued, and those monies will be reverted back to the Incentive Fund.

(10) Incentive Fund monies due a person/entity suspended from membership or show privileges with AQHA will be withheld during the term of the suspension; or, funds may be used to pay a participant's delinquent account with AQHA. If the suspension continues longer than five years from the date the funds are awarded, such funds will be forfeited and paid to the American Quarter Horse Foundation's general scholarship fund. For rules regarding AQHA approved shows, eligibility of competing horses and points earned, refer to the show section of the AQHA Official Handbook.

(b) STALLION ELIGIBILITY AND FEES

(1) Stallions available for breeding must be nominated to the AQHA Incentive Fund Program by November 30, prior to the breeding season the nomination is for in order to make foals conceived during that year eligible for participation in the Program. Stallions may be nominated from December 1 through January 31 by paying their normal nomination fee plus a penalty of one half of the fee. Stallions may be nominated from February

1 through December 31 of the breeding season by paying their normal fee plus a penalty of one time that fee. For any stallion to which no mares have previously been exposed, the deadline for nomination is 90 days after his first breeding date. Nominations are annual and a stallion must be re-nominated for any successive breeding seasons to make those foals eligible. Absolutely no nominations will be accepted after December 31 of the breeding season.

(2) Payment of nomination fee is due at the time of nomination and should accompany the nomination form in U.S. funds. The nomination fee is dependent on the number of mares listed on the previous year's stallion breeding report, with the exception of the stallions first breeding season when the nomination fee is \$300.

First breeding season	\$300	31-35 mares	\$1,000
1-4 mares	\$100 per mare	36-40 mares	\$1,100
5-10 mares	\$500	41-50 mares	\$1,250
11-15 mares	\$600	51-60 mares	\$1,500
16-20 mares	\$700	61-80 mares	\$2,000
21-25 mares	\$800	81-100 mares	\$2,500
26-30 mares	\$900	101 or more mares	\$3,000

(3) Subsequent additions to the stallion breeding report may affect the amount due to the fund. Once a stallion is enrolled, no portion of the nomination fee is refundable after December 31 of the breeding season, except in the case of a stallion that dies or is gelded prior to his breeding a mare for that breeding season.

(4) AQHA will have as a part of a stallion's permanent record with AQHA, the stallion's eligibility status regarding the Incentive Fund. That list will be available on AQHA's Web site once the nomination has been completed. AQHA reserves the right to cancel the eligibility of any stallion nominated if it should determine that the nomination fee submitted is less than the actual amount that should have been paid, provided that the nominator shall have 30 days in which to accept and pay the nomination fee determined by AQHA.

(c) FOAL ELIGIBILITY AND FEES

(1) To be eligible for lifetime participation in the AQHA Incentive Fund Program, foals sired by stallions nominated for the breeding year in which the foal was conceived, may only be nominated by the following:

- (A) by the record owner of the foal if nominated prior to the foal's twenty-fourth month of age; or
- (B) subject to paragraph 2 below, by the record owner of the sire at the time of breeding ("stallion owner").

(2) Nomination by stallion owner.

(A) If a foal born on or after January 1, 2006, is eligible for nomination and is not nominated by the record owner of the foal, AQHA will send correspondence with an AQHA Nomination Waiver Form to the record owner of the foal for the purpose of allowing them the option to waive their opportunity to nominate the foal.

(B) The stallion owner may nominate the foal subject to:

- (1) the record owner of the foal executing the Nomination Waiver Form;
- (2) AQHA receiving the executed Nomination Waiver Form on or before the foal's twenty-fourth month birth date; and

(3) The stallion owner, in accordance with paragraph 3 below, nominating the foal within fifteen days of being notified that AQHA has received the executed Nomination Waiver Form.

(C) Only the record owner of the foal can exercise the option to execute the Nomination Waiver Form, and such option can only be exercised by the owner while the foal is recorded in their ownership.

(D) Failure of the record owner of the foal, for any reason to execute an AQHA Nomination Waiver Form so as to allow a stallion owner the opportunity to meet the applicable nomination deadlines shall nullify a stallion owner's option to nominate a foal. Nomination fees are based on the fee schedule listed in (3) below.

(3) AQHA's charge for Incentive Fund nomination is determined by the actual age of the horse according to the date the nomination and fee are received in AQHA's office as evidenced by AQHA's date stamp. Nomination fees must be received in U.S. funds. If the nomination is submitted from:

Foaling date to the seventh month birth date.....	\$100 (increased to \$125 effective for foals born in 2013 and later)
Eighth month to the twelfth month birth date.....	\$200
Thirteenth month to the eighteenth month birth date.....	\$1,000
Nineteenth month to the twenty-fourth month birth date.....	\$2,500

(4) NO FOALS WILL BE ACCEPTED AFTER THE TWENTY-FOURTH MONTH OF AGE

(5) NO HORSE WILL BE ACCEPTED IF IT HAS EARNED 1/2 POINT OR MORE AT AN AQHA-APPROVED SHOW.

(6) Notwithstanding subsection (c)(3) and (c)(4) above, a horse enrolled in the Racing Challenge (“Racing Challenge Horse”) may be nominated at any time to the Incentive Fund for \$500 regardless of foaling date. Furthermore, notwithstanding subsection (b)(1) above, it is not necessary for the stallion of a Racing Challenge Horse to be nominated in order for the Racing Challenge Horse to be eligible to participate in the Incentive Fund.

(7) Once a foal is enrolled, the nomination fee is not refundable.

(8) In addition to the above nomination requirements, a foal must also be licensed each year in the division(s) (Open and/or Amateur) to earn Incentive Fund money (Incentive Fund License). For example if an Amateur Incentive Fund License is purchased for a foal but not an Open Incentive Fund License, the foal is eligible to earn Incentive Fund money for Amateur points it earns after the purchase date of the Amateur Incentive Fund License, but not for Open points.

(A) The fee for an Open Incentive Fund License is \$50, and the fee for an Amateur Incentive Fund License is \$50.

(B) If the record owner of the foal is both the nominator of the sire for the breeding season in which the foal was conceived AND the nominator of the foal, AQHA will waive Incentive Fund License Fees described in subsection (c)(8)(A) above for the first year the foal is shown.

(C) For purposes of these rules, an Incentive Fund License is considered “purchased” once AQHA has received a properly completed Incentive Fund License application and has processed the application and associated fee.

(D) An Incentive Fund License may be purchased at any time. However, no Incentive Fund money will be paid to the foal owner prior to the Incentive Fund License being purchased.

(E) An Incentive Fund License that is purchased on or before January 31st is effective for the entire show year (January 1 – December 31).

(F) An Incentive Fund License purchased after January 31st is effective from the purchase date assigned by AQHA through December 31st of the show year.

(G) Once purchased, an Incentive Fund License remains effective for a foal regardless if the foal changes ownership.

(H) All Incentive Fund Licenses expire at the conclusion of the show year (December 31st), and new Incentive Fund License(s) must be purchased in accordance with the above rules in order for the foal to be eligible to earn Incentive Fund money in the following show year.

(9) Notwithstanding subsection (c)(8), if a foal is nominated to the Incentive Fund, but is not licensed in accordance with subsection (c)(8), the nominator of the sire for the breeding season in which the foal was conceived and the nominator of the foal shall remain eligible to earn Incentive Fund Money for the points earned by the foal in accordance with subsection (a)(6) above.