

**ARABIAN HORSE ASSOCIATION
BOARD OF DIRECTOR'S E-MAIL COMMUNICATION
APPROVED MINUTES
August 25, 2009**

The Board of Directors were sent the following communication:

“Attached is the Promissory Note and Amortization Schedule for your review as requested in the Board meeting. We plan for the first payment to be \$30k plus interest. A first payment has already been made to insure the beginning debt is \$750,000 even. The first payment will be in the Sweepstakes Account this Friday, August 28, to insure it is in the Sweepstakes Account prior to September 1.

If there are no comments or suggestions for change, Lance Walters, President, plans to sign the document Thursday afternoon (August 27, 2009).”

Several comments and suggestions were made by Board members. **Exhibit I** is the final Promissory Note and **Exhibit II** is the final Amortization Schedule.

Jan Decker, AHA Secretary

Approved: _____
Date Initials

**ARABIAN HORSE ASSOCIATION
BOARD OF DIRECTOR'S E-MAIL COMMUNICATION
APPROVED MINUTES
August 25, 2009**

EXHIBIT I

PROMISSORY NOTE

\$750,000.00

**August 31, 2009
Denver, Colorado**

*For consideration received, Arabian Horse Association, a Colorado nonprofit corporation (“**Maker**”), promises to pay to the order of the Arabian Breeders Sweepstakes Trust (“**Holder**”) in accordance with the provisions set forth below, the principal sum of Seven Hundred Fifty Thousand Dollars (\$750,000.00) (the “**Principal**”), together with interest thereon at the rate of five percent (5%) per annum.*

1. **Restitution Agreement.** *This Promissory Note (this “**Note**”) is entered into in connection with, and subject to, that certain Restitution Agreement of even date herewith (the “**Restitution Agreement**”) by and among Maker and Holder. Terms used herein and not otherwise defined have the meanings set forth in the Restitution Agreement.*
2. **Payments.** *Notwithstanding anything in this Note to the contrary, this Note shall be payable upon demand by the Trust. However, if demand for payment is not made by the Trust, AHA shall make a principal payment in the amount of \$30,000, plus accrued interest, on September 1, 2009 and equal principal payments in the amount of \$20,000, plus accrued interest, on the first day of each month thereafter until the Intermingled Funds have been entirely repaid to the Trust. Without limiting the foregoing, a schedule of such anticipated payments is set forth on **Exhibit A** attached hereto. All payments of principal and interest shall be made when due to Holder at such place as Holder may hereafter direct in writing. Maker may prepay the principal amount outstanding in whole or in part at any time without penalty or premium; provided that any amounts prepaid shall not be less than \$20,000. Any prepayment shall be applied to the last due installments of principal. In the event of any partial prepayment, the remaining interest shall be recalculated.*
3. **Acknowledgment.** *The debt represented by this Note is solely for commercial and business purposes, and is not made in connection with a consumer transaction. The debt represented by this Note is not for personal, family, agricultural or household purposes. The debt represented by this Note is not a consumer loan within the meaning of the Uniform Consumer Credit Code (“**UCCC**”) and accordingly the UCCC shall not apply to this Note.*
4. **Default.** *This Note shall be in default if Maker fails to cure within five (5) days of receipt of written notice from Holder of default any of the following, provided that if any of the following is not curable, this Note shall be in default immediately: (i) Maker fails to make any payment of principal or interest due under this Note when the same becomes due and payable, (ii) Maker breaches any material provision of the Restitution Agreement, (iii) Maker files for bankruptcy protection, makes an assignment of all or any material portion of its assets for the benefit of its creditors, consents to the filing of an involuntary bankruptcy petition or fails to have any such involuntary bankruptcy petition dismissed within 120 days of filing, (iv) Maker becomes generally unable to pay its debts as they shall become due, or (v) Holder reasonably deems itself to be insecure hereunder.*
5. **Remedies.** *Upon the occurrence of any such default, this Note shall become immediately due and payable without presentment, demand, protest or other notice of any kind. From and after the date of any such default, all principal and interest then due hereunder shall thereafter accrue interest at the rate of ten percent (10%) per annum. If default shall occur and be continuing and Holder proceeds to enforce or pursue any legal or equitable remedies, Maker agrees to pay all expenses incurred by Holder (including reasonable attorneys’ fees) incident to the enforcement of this Note.*

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EXHIBIT I, Continued

6. **Assignment.** *Maker may not transfer this Note, or its or his rights or obligations hereunder, in whole or in part, without the prior written consent of Holder. Subject to the foregoing sentence, this Note is binding upon and shall inure to the benefit of the parties hereto and their respective successors, heirs, legal representatives, and permitted assigns.*
7. **Miscellaneous.**
- a) **Waiver.** *The parties hereto, including Maker and any guarantors, endorsers, successors and assigns, hereby waive demand, presentment, protest and notice of protest, diligence, and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note, and Maker agrees that Holder may extend the terms for payment or accept partial payment without discharging or releasing Maker from any of its or his obligations hereunder.*
- b) **Waiver of Jury Trial.** **MAKER HEREBY IRREVOCABLY WAIVES ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF, BASED ON OR PERTAINING TO THIS NOTE.**
- c) **Weekends/Holidays.** *If any payment hereunder is required to be made on any date which is a Saturday, Sunday or federal or Colorado bank holiday, such payment shall be made on the next succeeding day on which banks in Colorado are open for business with the same force and effect as if made on the date as originally required.*
- d) **Notice.** *Any notice required or allowed to be given under this Note shall be in writing and shall be given by sending through a nationally recognized overnight delivery service, or by delivering such notice by hand delivery or certified mail, postage prepaid, return receipt requested or by facsimile to the party to receive notice at the Holder's address set forth in the Restitution Agreement and the Maker's address set forth in the Restitution Agreement or such other address as such party may designate by proper notice to the other party. Any notice so given shall be deemed effective upon receipt if sent by hand or overnight delivery, immediately if delivered by facsimile, or three (3) days after mailing if sent by certified mail.*
- e) **Governing Law.** *This Note is entered into in Denver, Colorado and shall be governed by the laws of Colorado without regard to conflict of laws principles. The parties agree to submit to the jurisdiction of any court located in Denver, Colorado.*
- f) **Execution of Note.** *This Note may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Note and all of which, when taken together, will be deemed to constitute one and the same agreement.*
- g) **Legal Expenses.** *In the event Holder engages in any legal action to collect or otherwise enforce its rights hereunder, Holder shall be entitled to collect from Maker, in addition to any amount due hereunder, any legal expenses, including attorneys' fees reasonably incurred by Holder as a result of such legal action.*

IN WITNESS WHEREOF, Maker has caused this Note to be duly executed and dated the day and year first above written.

ARABIAN HORSE ASSOCIATION,
a Colorado nonprofit corporation

By: _____
Lance Walters, President

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EXHIBIT II

EXHIBIT A—MONTHLY AMORTIZATION

NAME Arabian Horse Association - Equal Principal Payments
Principal \$750,000.00
Annual Interest Rate 5.00%
Term 0 years 37 mos.
Periods (per yr.) 12
Start Date 9/1/2009 Maturity Date 9/1/2012
Payment
No. of Payments 37
Ave. Mo. Bal. \$380,270.27

Payment No.	Payment Dates	Beginning Balance	Payment Amount	Interest	Principal	Ending Balance	Cumulative Interest
1	9/1/2009	750,000.00	33,125.00	3,125.00	30,000.00	720,000.00	3,125.00
2	10/1/2009	720,000.00	23,000.00	3,000.00	20,000.00	700,000.00	6,125.00
3	11/1/2009	700,000.00	22,916.67	2,916.67	20,000.00	680,000.00	9,041.67
4	12/1/2009	680,000.00	22,833.33	2,833.33	20,000.00	660,000.00	11,875.00
5	1/1/2010	660,000.00	22,750.00	2,750.00	20,000.00	640,000.00	14,625.00
6	2/1/2010	640,000.00	22,666.67	2,666.67	20,000.00	620,000.00	17,291.67
7	3/1/2010	620,000.00	22,583.33	2,583.33	20,000.00	600,000.00	19,875.00
8	4/1/2010	600,000.00	22,500.00	2,500.00	20,000.00	580,000.00	22,375.00
9	5/1/2010	580,000.00	22,416.67	2,416.67	20,000.00	560,000.00	24,791.67
10	6/1/2010	560,000.00	22,333.33	2,333.33	20,000.00	540,000.00	27,125.00
11	7/1/2010	540,000.00	22,250.00	2,250.00	20,000.00	520,000.00	29,375.00
12	8/1/2010	520,000.00	22,166.67	2,166.67	20,000.00	500,000.00	31,541.67
13	9/1/2010	500,000.00	22,083.33	2,083.33	20,000.00	480,000.00	33,625.00
14	10/1/2010	480,000.00	22,000.00	2,000.00	20,000.00	460,000.00	35,625.00
15	11/1/2010	460,000.00	21,916.67	1,916.67	20,000.00	440,000.00	37,541.67
16	12/1/2010	440,000.00	21,833.33	1,833.33	20,000.00	420,000.00	39,375.00
17	1/1/2011	420,000.00	21,750.00	1,750.00	20,000.00	400,000.00	41,125.00
18	2/1/2011	400,000.00	21,666.67	1,666.67	20,000.00	380,000.00	42,791.67
19	3/1/2011	380,000.00	21,583.33	1,583.33	20,000.00	360,000.00	44,375.00
20	4/1/2011	360,000.00	21,500.00	1,500.00	20,000.00	340,000.00	45,875.00
21	5/1/2011	340,000.00	21,416.67	1,416.67	20,000.00	320,000.00	47,291.67
22	6/1/2011	320,000.00	21,333.33	1,333.33	20,000.00	300,000.00	48,625.00
23	7/1/2011	300,000.00	21,250.00	1,250.00	20,000.00	280,000.00	49,875.00
24	8/1/2011	280,000.00	21,166.67	1,166.67	20,000.00	260,000.00	51,041.67
25	9/1/2011	260,000.00	21,083.33	1,083.33	20,000.00	240,000.00	52,125.00
26	10/1/2011	240,000.00	21,000.00	1,000.00	20,000.00	220,000.00	53,125.00
27	11/1/2011	220,000.00	20,916.67	916.67	20,000.00	200,000.00	54,041.67
28	12/1/2011	200,000.00	20,833.33	833.33	20,000.00	180,000.00	54,875.00
29	1/1/2012	180,000.00	20,750.00	750.00	20,000.00	160,000.00	55,625.00
30	2/1/2012	160,000.00	20,666.67	666.67	20,000.00	140,000.00	56,291.67
31	3/1/2012	140,000.00	20,583.33	583.33	20,000.00	120,000.00	56,875.00
32	4/1/2012	120,000.00	20,500.00	500.00	20,000.00	100,000.00	57,375.00
33	5/1/2012	100,000.00	20,416.67	416.67	20,000.00	80,000.00	57,791.67
34	6/1/2012	80,000.00	20,333.33	333.33	20,000.00	60,000.00	58,125.00
35	7/1/2012	60,000.00	20,250.00	250.00	20,000.00	40,000.00	58,375.00
36	8/1/2012	40,000.00	20,166.67	166.67	20,000.00	20,000.00	58,541.67
37	9/1/2012	20,000.00	20,083.33	83.33	20,000.00	0.00	58,625.00
			808,625.00	58,625.00	750,000.00		