

LICENSE AND SECURITY AGREEMENT

DATE: April 1, 2003

PARTIES:

The Purebred Arabian Trust
c/o Arabian Horse Association
10805 East Bethany Drive
Aurora, CO 80014-2605
Telephone: _____
Facsimile: _____
("Licensor")

Arabian Horse Association
c/o Arabian Horse Association
10805 East Bethany Drive
Aurora, CO 80014-2605
Telephone: _____
Facsimile: _____
("Licensee")

RECITALS:

A. Arabian Horse Registry of America, Inc., a Colorado non-profit corporation ("AHRA") and International Arabian Horse Association, Inc., a Colorado non-profit corporation ("IAHA") have entered into that certain Agreement and Plan of Merger dated as of December 12, 2002 (the "Merger Agreement"), under which AHRA and IAHA shall merge into Licensee on or about April 1, 2003 (the "Merger Date").

B. Pursuant to Licensee's bylaws (the "Licensee Bylaws") and the Merger Agreement, Licensee is obligated to pay to Licensor the Royalties (as defined below), which Royalties are, in part, payment for the grant of the license provided for in this Agreement, and Licensee has agreed to provide security for such obligation as provided herein.

C. Pursuant to a License Agreement dated May 20, 1993 (the "Prior License Agreement"), AHRA has licensed IAHA access to an electronic database of information pertaining to purebred Arabian horses registered by AHRA or recorded by AHRA from other sources and maintained by AHRA prior to the Merger Date (the "Original Database") and all computer software developed and owned by AHRA and all physical documentation provided by customers to support the data contained in the Original Database.

D. Contained within the Original Database is information regarding racing performance and pedigree information of purebred Arabian racing horses (the "Original Racing Data") that AHRA has provided to the Arabian Jockey Club, Inc., the Arabian Racing Cup, Inc., Equibase Company LLC, and other entities that from time to time

promote, report on, or otherwise sponsor purebred Arabian horse racing (collectively, as such entities exist from time to time, the "Racing Data Recipients").

E. Prior to the Merger Date, the Prior License Agreement is being terminated and the Original Database and all software and documentation related thereto is being conveyed by AHRA to Licensor.

F. Licensee requires use of the Original Database to perform registration and other services relating to Arabian horses and Licensee's other operations, including providing access to individuals and organizations to search Licensee's information and data with respect to registered Arabian horses, and Licensor is willing to grant a license therefor in accordance with the terms of this Agreement.

AGREEMENT:

In consideration of the foregoing Recitals and the mutual covenants contained herein, the parties agree as follows:

1. DEFINITIONS.

A. *Specific Definitions.* In addition to terms defined in the recitals above and elsewhere in this Agreement, unless the context otherwise requires, capitalized terms used in this Agreement shall have the respective meanings set forth below:

"Database" means the Original Database together with all Updates thereto.

"Documentation" means all written materials relating to the Licensed Technology including user and operating manuals, instructions, maintenance and support materials, and specifications and other technical data together with all Updates thereto.

"Hardware" means the computer hardware systems of Licensor on which Licensor stores and operates the Original Database as of the Merger Date.

"Licensed Technology" means the Database and the Software and all information technology, and other items related thereto.

"Purebred Registry Services" means services performed by Licensee with respect to the registration of purebred Arabian horses and activities relating thereto that result in the generation of Purebred Revenues.

"Purebred Revenues" means the gross revenues derived by Licensee from activities of the Arabian Horse Registry (as defined in the Licensee Bylaws) including registration fees, transfer fees, service fees and administration fees relating to purebred Arabian horses, as the same are more particularly described in Exhibit A.

"Racing Data" means that portion of the Database consisting of the Original Racing Data and all Updates thereto.

"Racing Purpose" means the promotion of, or reporting on, horse racing.

"Royalties" means one-third of the Purebred Revenues excluding (i) credits for amounts refunded to third parties by Licensee, and (ii) one-third of the applicable taxes or other government-imposed charges incurred by Licensee (other than those imposed on Licensee's income or real property) as a result of collecting the Purebred Revenues that give rise to the Royalties or paying the Royalties to Licensor.

"Software" means all technology and software (in object and source code form) used with, supporting, or otherwise related to, the Database from time to time together with all Updates thereto.

"Updates" means all replacements, additions, deletions, enhancements, and modifications to, or derivative works of, the Database (including the Racing Data), the Documentation, and the Software developed by or for either party.

B. *Usage and Interpretation.* In this Agreement, unless a clear contrary intention appears, (i) the singular number includes the plural and *vice versa*, (ii) reference to this Agreement and to any other agreement, document, or instrument means this Agreement and each such agreement, document, and instrument as the same is amended or modified from time to time, (iii) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term, (iv) the term "or" is not exclusive, and (v) references to any person or entity shall be deemed to include the successors and assigns of such person or entity.

2. GRANT OF LICENSE.

A. *Exclusive License.* Except as provided in subsection B of this Section, and subject to payment of Royalties (as provided in Section 6A) and the other terms of this Agreement, Licensor grants to Licensee an exclusive, perpetual license to reproduce, perform, display, modify, create derivative works of, distribute, provide access to (including the ability to search, query, tabulate and generate reports from), transmit, publish and, except as prohibited by this Agreement, otherwise exploit the Licensed Technology and Documentation (in whole or in part) in connection with the legitimate business purposes of Licensee. Without Licensor's prior written consent, Licensee shall not assign or sublicense the license granted to Licensee herein; provided, however, that such consent is deemed given so long as (i) the Trust is given notice of the sublicenses, (ii) the sublicenses granted are no broader than the license granted herein, and (iii) the sublicenses, by their terms, are terminable by Licensee or Licensor if the license granted under this Agreement is terminated.

B. *Limited Retained Right.* Without limiting Licensee's rights as set forth in Section 2.A above and as an exception only to the exclusive nature of such rights, Licensor shall retain a non-exclusive right to use and to provide the Racing Data

to Racing Data Recipients solely for the Racing Purpose. Licensee shall make available to Licensor, or a Racing Data Recipient if so directed by Licensor, solely for the Racing Purpose, the Racing Data requested from time to time.

3. **OWNERSHIP.**

A. **Software.** Licensor is and shall remain the exclusive owner of the Licensed Technology and the Documentation and all Updates thereto, regardless of which party generated the Updates, subject to (i) the license granted to Licensee in this Agreement, and (ii) the rights of third parties to Software transferred or licensed to Licensee by Licensor that is subject to a license agreement between Licensor or Licensee, as applicable, and such third party (each, a "Third Party Software Agreement").

B. **Hardware.** Licensor hereby sells, assigns, and transfers to Licensee all right, title, and interest in and to the Hardware, including the right to further license, sell, encumber, or otherwise exploit or dispose of such Hardware without further authorization from Licensor.

4. **MAINTENANCE INSURANCE; BACK-UP; POTENTIAL LITIGATION.**

A. **Maintenance and Updates.** At its own expense, Licensee shall (i) maintain the Licensed Technology and Documentation, and (ii) make all Updates necessary or desirable to make the Licensed Technology and the Documentation sufficient to relate solely to purebred Arabian horses and to carry out the Purebred Registry Services; provided, however, that at Licensee's request, to the extent permissible pursuant to the applicable Third Party Software Agreement, Licensor shall cause any maintenance or support services to be provided pursuant to such Third Party Software Agreement to be assigned or transferred to Licensee. Licensor shall have no obligation to modify, update, maintain, or support the Licensed Technology or the Documentation; however, Licensor shall deliver to Licensee all Updates, if any, to the Original Database, the Licensed Technology, or Documentation created, developed, or authored by or for Licensor after the date hereof within 30 days after receipt thereof by Licensor. Licensor shall have the right, during normal business hours and upon reasonable advance notice, to review and make copies of the Licensed Technology and Documentation.

B. **Insurance.** At its expense, Licensee shall at all times carry insurance covering Licensee's obligations under this Agreement, including insurance covering the costs of restoring lost or damaged Licensed Technology and Documentation and business interruption insurance to cover lost business income during the period of restoration. All such insurance shall name Licensor as an additional insured with losses, if any, payable to Licensor as its interests appear. Licensee shall cause each insurer to agree by endorsement upon each such policy, or by independent instrument furnished with such policy to Licensor, that the insurer shall give Licensor no less than 30 days' written notice before any such policy shall be materially altered or cancelled. At Licensor's request, Licensee shall deliver to

Licensors the policies of insurance or other evidence reasonably satisfactory to Licensor that such insurance coverage is in effect.

C. **Database Back-Up and Off-Site Storage.** Consistent with past practices of AHRA, Licensee shall back-up the Licensed Technology on a daily basis, and no less often than weekly, store the then-current Database at a minimum of one off-site location.

D. **Potential Litigation.**

(i) **Third Party Infringement.** Each party shall inform the other within 30 days after obtaining knowledge of an infringement or other violation of any worldwide existing and future intellectual property rights contained in the Licensed Technology or Documentation, including any applications, renewals or extensions thereof, and including any rights as established in the future under the laws of the United States or any other countries with respect to databases or otherwise (collectively, the "Protected Rights"). Licensor shall have the right to institute legal proceedings against any third party that Licensee or Licensor reasonably believes to be infringing or otherwise violating the Protected Rights in order to eliminate such infringement or violation (as applicable, an "Infringement Action"), which costs of such Infringement Action, including attorneys fees and costs related to the investigation thereof (collectively, the "Costs") shall be borne equally by the parties. Licensee shall join as a party plaintiff in the Infringement Action at the request of Licensor and the costs of Licensee as such party plaintiff shall be part of the Costs. If Licensor elects not to institute an Infringement Action, Licensee may institute and maintain an Infringement Action and Licensor shall join as a party plaintiff in the Infringement Action at the request of Licensee and the costs of Licensor as such party plaintiff shall be part of the Costs. Regardless of which party initiates the Infringement Action, after the Costs have been recovered, the parties shall share equally in any and all settlement amounts, damages, and costs recovered in connection therewith. The parties shall cooperate fully in the enforcement of rights contained in this Section, including releasing information and documents relevant thereto, participation in any litigation or investigation brought hereunder, or appearance as witnesses therein.

(ii) **Claims Against Licensee or Licensor.** The parties recognize that notwithstanding their diligence regarding the accuracy of the Database prior to and following the Merger Date, there is always a possibility of error or that a third party may bring a lawsuit or administrative action (an "Action") against one of both of the parties (as applicable, the "Defendant") based on claimed inaccuracies in registration information, claimed incorrect determinations regarding registration, or some other matter relating to registration of purebred Arabian horses that involves the Licensed Technology or Documentation. The Defendant shall have the right to defend any Action, and the costs of such Action, including attorneys fees and costs related to the investigation thereof shall be borne equally by the parties. If either party is not named as a defendant in the Action, the party not named shall cooperate fully with the Defendant in the defense of the Action, including releasing information and documents rele-

vant thereto, participation in the Action or investigation related thereto, or appearance as witnesses therein.

5. LIMITED WARRANTY AND DISCLAIMER.

A. *Licensor.* Licensor warrants that (a) the Original Database (including the related software and documentation) is all of the data, software, and documentation that AHRA has used in its registry services prior to the Merger Date and is sufficient to maintain the Original Database provided to Licensee under this Agreement, (b) Licensor owns the Hardware and the right to transfer the Hardware to Licensee as provided in this Agreement, (c) the Hardware is sufficient to operate the software containing the Original Database, (d) to Licensor's knowledge, the Original Database and related software and documentation do not infringe the rights of third parties, (e) Licensor shall cause the Updates provided by Licensor, if any, not to infringe the rights of any third parties, and (f) the execution and delivery of this Agreement does not violate any agreement by which Licensor or the Original Database and related software and documentation is bound. Except as provided in the forgoing warranty, the Licensed Technology and Documentation are licensed to Licensee "AS IS."

B. *Licensee.* Licensee warrants that (a) Licensee shall cause the Updates provided by Licensee not to infringe the rights of any third parties, and (b) the execution and delivery of this Agreement does not violate any agreement by which Licensee is bound. Except as provided in the forgoing warranty, the Updates provided by Licensee shall be "AS IS."

6. ROYALTIES; GRANT OF SECURITY INTEREST.

A. *Payment of Royalties; Records.* Licensee shall pay Licensor the Royalties within 30 days following the end of the calendar quarter in which the Royalties are received by Licensee. Licensee shall keep records showing the calculation and amounts of the Royalties in sufficient detail to enable the Royalties to be determined. Concurrently with each Royalty Payment, Licensee shall furnish Licensor a written calculation of the determination of the Royalties payable for the prior quarter including the Purebred Revenues received by Licensee on which the Royalties are based. Licensee shall permit its books and records to be examined from time to time for the purpose only and to the extent necessary to verify the reports provided for in this Section, such examination to be made at the expense of Licensor, by an auditor appointed by Licensor who shall be reasonably acceptable to Licensee, or by a Certified Public Accountant appointed by Licensor who shall report to Licensor only the amount of Royalties due and payable for the period under audit and who shall otherwise maintain confidentiality of the information contained in the examined books and records; provided, however, that if such audit shows an underpayment of Royalties of 5% or more for the period audited, in addition to paying the shortfall, Licensee shall reimburse Licensor for the cost of the audit.

B. *Grant of Security Interest.* Licensee grants to Licensor a security interest in the Royalties together with all documentation evidencing Licensee's rights

thereto (the "Accounts") and all of Licensee's rights, if any, in and to the Licensed Technology and Documentation (collectively with the Accounts, the "Collateral") as security for Licensee's obligation to pay the Royalties and comply with the other terms of this Agreement. Licensee authorizes and directs Licensor to execute on behalf of Licensor, if required, and file any and all documentation Licensor deems to be necessary or desirable to perfect and maintain Licensor's security interest in the Collateral, Uniform Commercial Code financing statements and all continuations and amendments thereto.

C. **Covenants.** Licensee shall (i) collect the Accounts in the ordinary course of its business; (ii) keep accurate and complete records of the Collateral; (ii) keep the Licensed Technology and Documentation free from liens and encumbrances at all times; and (iii) not create or permit the creation of any other liens or security interests, superior to the security interest of Licensor, to attach to all or any portion of the Accounts.

D. **Default.** Licensee shall be in default under this Agreement if any of the following events occur:

(i) failure to pay the Royalties when due and payable hereunder unless such failure is cured within ten days after notice thereof is given to Licensee (a "Payment Default");

(ii) a default in the performance of Licensee's material obligations relating to the Licensed Technology and Documentation as provided in Section 4.A., B., and C., that is not cured to the reasonable satisfaction of Licensor within 30 days after notice thereof is given to Licensee;

(iii) any of the following events occur with respect to Licensee: liquidation or dissolution; termination of existence; or cessation of the conduct of Licensee's business in the ordinary course; or

(iv) Licensee shall be the subject of any action seeking to adjudicate Licensee as bankrupt under any law relating to bankruptcy.

E. **Remedies Upon Default.** If a default of Licensee shall occur and be continuing, Licensor may exercise any and all remedies available to Licensor at law or in equity including rights to foreclose upon the Collateral and all proceeds and products therefrom in accordance with revised Article 9 of the Uniform Commercial Code as adopted in Colorado. Without the limiting the generality of the foregoing, Licensor may (i) give notice to the account debtors of assignment to Licensor of the Accounts; (ii) collect the Accounts directly; (ii) settle disputes and claims directly with the account debtors for amounts and upon terms which Licensor considers advisable and thereafter credit Licensee with the net amounts received in payment; and (iii) in Licensee's name or otherwise, demand, sue for, collect and give remittance for any and all monies due or to become due on the Accounts, and (iv) upon notice to Licensee, terminate the license granted to Licensee under this Agreement ; provided, however, that in

the case of such termination, Licensee shall have the continued right to use the Licensed Technology and Documentation for the sole purpose of carrying on the activities of the Half-Arabian/Anglo Horse Registry of the Registration Commission of Licensee. Licensee shall pay Licensor for all costs and expenses incurred by Licensor in connection with collection of the Accounts, enforcement of Licensee's obligations to pay the Royalties, and in foreclosing on the Collateral, including Licensor's reasonable attorneys' fees and legal expenses, all of which shall be part of the obligations secured hereby. After sale or other disposition of the Collateral, Licensee shall be liable to Licensor for any deficiency.

7. **MISCELLANEOUS.**

A. **Delivery.** On or prior to the Merger Date, Licensor shall deliver to Licensee the Hardware, Licensed Technology and Documentation and cause all of Licensor's Third Party Software Agreements that are assignable to be assigned to Licensee.

B. **Notices.** All notices communications required or permitted to be given to the parties under this Agreement shall be sufficient in all respects if given in writing and delivered in person, by electronic mail, by telecopy, by overnight courier, or by certified mail, postage prepaid, return receipt requested, to the receiving party at the address shown on the first page of this Agreement or to such other address as such party may have given to the other by notice pursuant to this Section. Notice shall be deemed given on the date of delivery, in the case of personal delivery, electronic mail, or telecopy, or on the delivery or refusal date, as specified on the return receipt in the case of certified mail or on the tracking report in the case of overnight courier.

C. **Assignment.** Neither party may assign, delegate or transfer (in whole or part) this Agreement including by operation of law, change of ownership or control, in connection with a sale or transfer of all or substantially all of the assets of that party or in connection with a merger, reformation, reorganization, or other similar corporate action without the prior written consent of the other party. Any attempted or purported assignment, delegation or transfer in violation of the foregoing shall be null and void and without effect.

D. **Attorneys' Fees.** If a party shall commence any action or proceeding against another party in order to enforce the provisions of this Agreement or to recover damages as a result of the alleged breach of any of the provisions of this Agreement, the prevailing party shall be entitled to recover all reasonable costs in connection therewith, including reasonable attorneys' fees.

E. **Further Assurances.** The parties shall cooperate fully with each other and execute such further instruments, documents, and agreements, and shall give such further written assurances, as may be reasonably requested by another party to better evidence and reflect the transactions described herein and contemplated hereby, and to carry into effect the intent and purposes of this Agreement.

F. **Entire Agreement; Amendments.** This Agreement (together with the Merger Agreement and the Licensee Bylaws) constitutes the entire agreement between the parties relating to the subject matter hereof. All prior or contemporaneous agreements, whether written or oral, among themselves or their agents and representatives relating to the subject hereof are merged into this Agreement. This Agreement may be altered, amended, or revoked only by an instrument in writing signed by all the parties hereto. If a conflict, ambiguity, or inconsistency exists between the terms of this Agreement and the Merger Agreement or the Licensee Bylaws, the terms of this Agreement shall control.

G. **Severability.** If any term or provision of this Agreement shall, to any extent, be determined to be invalid or unenforceable by a court or body of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

H. **Applicable Law; Arbitration.** This Agreement shall be governed by and construed according to the internal laws of the State of Colorado. By execution of this Agreement, each party submits and irrevocably waives any objection to *in personam* jurisdiction in the State of Colorado and the forum and convenience of the state and federal courts thereof. Any controversy, claim, or dispute arising under or related to this Agreement shall be finally resolved by arbitration in accordance with the then-effective rules of the American Arbitration Association ("AAA") and limited discovery shall be permitted; provided, however, that there is no requirement that the arbitration proceed through or under the auspices of the AAA. Such Arbitration shall take place in the State of Colorado. Judgment upon the award rendered by the arbitrators may be entered in any court having appropriate jurisdiction.

I. **Waiver.** The failure of one of the parties to insist upon the strict performance of any provision of this Agreement or to exercise any right, power, or remedy upon a breach thereof shall not constitute a waiver of that or any other provision of this Agreement or limit that party's right thereafter to enforce any provision or exercise any right.

J. **Survival of Terms and Conditions.** The terms and condition of this Agreement shall survive the expiration or termination of this Agreement to the full extent necessary for their enforcement and for the protection of the party in whose favor they operate.

K. **Parties Bound by Agreement.** This Agreement is binding upon the parties hereto and upon their respective heirs, legal representatives, successors and permitted assigns.

L. **Counterparts and Facsimile Signatures.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which, taken together, shall constitute one agreement. A facsimile signature to this

Agreement shall be deemed an original and binding upon the party against whom enforcement is sought.

The parties have executed this Agreement as of the date first set forth above.

Licensors:

The Purebred Arabian Trust

By: Robert J. Faulstich Jr.
Name: Robert J. Faulstich Jr.
Title: Chairman

Licensee:

Arabian Horse Association

By: William C. Hughes
Name: William C. Hughes
Title: President

EXHIBIT A
To
License and Security Agreement
dated as of _____, 2003
between
The Purebred Arabian Trust
and
Arabian Horse Association

GROSS PUREBRED REVENUES FROM WHICH ROYALTIES ARE DERIVED

- (1) Registration Fees.
- (2) Ownership Transfer Fees.
- (3) Service Fees including (a) DNA test and blood type test fees, (b) semen transportation fees, and (c) racing certificates fees.
- (4) Administration Fees including (a) transaction processing fees, (b) certificate fees, (c) name change fees, and (d) other miscellaneous fees.

