

THE NATIONAL HBPA, INC.

BYLAWS



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TABLE OF CONTENTS

ARTICLE I - Name, Definitions, Purposes, Corporate Office	4
Section 1 Name	4
Section 2 Definitions.....	4
Section 3 Purposes	5
Section 4 Corporate Office	6
ARTICLE II - Affiliation, Membership and Duties	6
Section 1 Affiliation	6
Section 2 Membership	8
Section 3 Duties of Affiliates.....	8
Section 4 Suspension or Expulsion of Affiliates	8
Section 5 Temporary Dues Reduction	8
ARTICLE III - Elections and Voting	9
Section 1 Nominating Committee and Nominations.....	9
Section 2 Eligibility and Election of National Association Officers.....	9
Section 3 Voting and Weighted Voting.....	10
Section 4 Hearing Process on Matter of National Election or Disciplinary Concern	11
ARTICLE IV - Government of the National Association	12
Section 1 Organization.....	12
Section 2 Articles of Incorporation, Bylaws and Rules of Order.....	12
Section 3 Associate Membership/Affiliation Roster of National Association.....	12
Section 4 Powers and Duties of the Board	13
Section 5 Amendments to Bylaws	15
Section 6 Obligations of the National Association	15
Section 7 No Discrimination Based on HBPA Related Activities	15
Section 8 Use of the National Association Name	15
ARTICLE V Board of Directors and Officers of the National Association	16
Section 1 Board of Directors - Membership.....	16
Section 2 Voting by Board Members and Officers.....	16

Section 3	Vacancies on the Board	17
Section 4	Board and Committee Meetings	17
Section 5	Quorum for Board Meetings	17
Section 6	Executive Committee	17
Section 7	Executive Session	18
Section 8	Audit Committee	19
Section 9	Budget, Dues & Investment Committee	20
Section 10	Personnel Committee.....	21
Section 11	Planning Committee	21
Section 12	Special Committees.....	21
Section 13	Pro-Tempore Voting on Standing and Other Committees.....	21
Section 14	National Association Officers	21
Section 15	Tenure of Office.....	22
Section 16	Duties of National Association Officers	22
Section 17	Compensation of Officers and Directors Prohibited; Subsistence and Travel Expense Reimbursement.....	24
ARTICLE VI - Indemnification of Officers and Directors		24
ARTICLE VII - Conflicts of Interest.....		25
ARTICLE VIII - Dispute Resolution for Affiliates.....		26
Schedule A	Error! Bookmark not defined.	
Schedule B.....		28

ARTICLE I - Name, Definitions, Purposes, Corporate Office

Section 1 Name

The Association shall be known as THE NATIONAL HBPA, INC. or THE NATIONAL HORSEMEN'S BENEVOLENT AND PROTECTIVE ASSOCIATION, INC., acting under and by virtue of the charter granted by the Commonwealth of Kentucky, a successor to the charter originally granted by the state of Maryland.

Section 2 Definitions

- A. "Affiliate" shall mean an association or organization of two or more persons, corporations, partnerships or other entities comprised of owners, owner-trainers or trainers of race horses which has been approved by the Board of Directors as an Affiliate, which maintains its eligibility status as an Affiliate with the National Association, and which has a current Affiliation Agreement with the National Association. An International Association may also become an Affiliate.
- B. "Affiliate Leader(s)" and "Affiliate Leadership," or similar variations, shall mean an Affiliate's local governing board members, officers and executive director, if any.
- C. "Affiliate-Members" shall mean individual owners, owner-trainers or trainers who are the members of an Affiliate as provided for in the Affiliate's articles of incorporation or constitution and bylaws.
- D. "Associate Members" shall include Honorary Members of the National Association, as those terms are defined herein. Associate Members, as individual persons, do not affiliate with (as the term "Affiliation" is used in these Bylaws), nor possess governance rights in the National Association, but may participate in such benefits as provided for in these Bylaws and/or as established by the Board of Directors.
- E. "Board of Directors" and "Board" shall mean the Board of Directors of the National Association. "Director" shall mean a Member of the Board of Directors of the National Association.
- F. "Honorary Members" shall mean those persons designated as such by the Board of Directors.
- G. "Horsemen," and the pronouns "he" or "him," as used throughout these Bylaws, shall be deemed to include both the singular and plural, and the masculine and feminine, as the context may require and shall mean licensed owners, trainers and owner-trainers of race horses.

- H. "Horse Racing" and "Race Horses" shall mean Thoroughbred horse racing in particular and other breeds of horse racing in general when all such others breeds are cooperating with an Affiliate in a specific region as provided by law or as evidenced by written agreement.
- I. "International Association" shall mean an association or organization of two or more persons, corporations, partnerships or other entities comprised of owners, owner-trainers or trainers of race horses which represents the rights and interests of Horsemen in matters relating to horse racing and which operates in a country other than the United States of America.
- J. "Mailing" shall mean the date on which an envelope, letter, postcard, newsletter, notice and/or other written communication is deposited, postage pre-paid, into the mails with the United States Postal Service.
- K. "National Association" shall mean The National HBPA, Inc. or The National Horsemen's Benevolent and Protective Association, Inc.
- L. "National Officers" shall include "Chairman of the Board/President" (hereinafter referred to as "Chairman") and first Regional Vice-President both of which are the elected Officer positions of the National Association. First Regional Vice-President shall be elected by the National Association from the currently elected Regional Vice Presidents. "Regional Vice Presidents" shall mean elected officer positions of the Board, which represent and are elected by and from the Western, Central, Eastern and Southern Regions of the National Association. "Chief Executive Officer" (or "CEO") shall mean the non-elected Officer, who is selected by and contracted with the Board. The Secretary/Treasurer shall be appointed by the Chairman with the advice and consent of the Board. "Legal Counsel" shall mean the position of Legal Counsel, as shall be selected and contracted by the Board of the National Association.

Section 3 Purposes

The purposes of the National Association are as follows:

- A. To work in a cooperative effort to assist in promoting the sport of horse racing;
- B. To foster, promote and otherwise encourage a healthier economic climate and a higher level of public acceptance for the horse racing industry in the United States, Canada and throughout the world, and better relations among its participants;
- C. To work for the improvement of business and working conditions of Horsemen and their employees;
- D. To work for the improvement of the Thoroughbred horse racing industry in particular, and the improvement of all racing breeds in general when all such others breeds are cooperating with an Affiliate in a specific region as provided by law or as evidenced by written agreement.
- E. To foster and promote, where practical and legal, cooperation among Horsemen of all breeds to improve business conditions for all Horsemen and for the racing industry;

- F. To provide the opportunity for Affiliates to associate with each other to better understand each other's and the horse racing industry's needs for growth and improvement; to gather and disseminate helpful information about the racing industry; to encourage the exchange of ideas and promote improvement in the racing industry, to educate and advise the National Association's Affiliates and Associate Members of problems, developments and trends in the racing industry;
- G. To cooperate with all authorities charged with the regulation and governance of horse racing and wagering thereon, whether such authorities be government or private and to make recommendations that are in the best interests of racing and its participants;
- H. To represent the interests of Horsemen before state and federal governmental entities, national industry organizations and trade associations;
- I. To provide Associate Members the opportunity to obtain benefits and privileges available to individual members of Affiliates;
- J. To otherwise assist Affiliates and Associate Members in matters affecting their interests in horse racing and in the racing industry in general;
- K. To operate exclusively as a business league within the meaning of Section 501 (c)(6) of the Internal Revenue Code of 1986 as amended, and in no event shall any part of the earnings of the National Association inure to the benefit of any individual;
- L. To perform any act authorized by resolution of the Board of Directors, not prohibited by law and/or not otherwise inconsistent or in conflict with any provision of the Articles of Incorporation and these Bylaws.

Section 4 Corporate Office

The principal office of the National Association shall be located within the Commonwealth of Kentucky, Fayette County. The National Association may from time to time move or establish such other office or offices as the Board of Directors may designate or as the affairs of the National Association may require.

ARTICLE II - Affiliation, Membership and Duties

Section 1 Affiliation

- A. National Policy. It shall be the policy of the National Association to encourage and permit affiliation of geographically-based Horsemen's Associations as Affiliates in accordance with the eligibility and approval processes set out in this Article, Sections I, Paragraph B through Paragraph F below. It shall also be the policy of the National Association, when appropriate, to encourage and permit individuals to become Honorary or Associate Members of the National Association.
- B. Affiliate Eligibility. To be eligible to affiliate with the National Association, an applicant must:

1. Meet the definition of an Affiliate in Article I, Section 2(A) above;
 2. Represent the interests of :
 - a. a majority of owners and trainers of race horses racing at a minimum of one racetrack located in a specific region or;
 - b. if there is no racetrack conducting live racing in a specific region, a majority of owners and trainers whose race horses are owned, trained or raced in a specific region so long as one of the Association's purposes is to bring live racing to such region; and,
 3. Establish and maintain an appropriate organizational structure under applicable law, the structure of which shall include, as a minimum standard, a provision for fair election of directors to the Affiliates governing board, with elections to occur not less frequently than every three (3) years.
- C. Affiliate Approval by Board of Directors Vote. An applicant (or International Association) eligible for Affiliation may become an Affiliate of the National Association only upon application to the National Association and approval of the applicant and its articles of incorporation or constitution and bylaws by a two-thirds (2/3rds) vote of the Board of Directors, applying the weighted vote as reflected in Schedule A.
- D. Affiliate's Bylaws. Each Affiliate must deposit its articles of incorporation or constitution and bylaws with the National Association, upon application for Affiliation, and shall advise the National Association of any changes to such articles, constitution or bylaws as soon as practical by furnishing a copy of revisions to the National Association. Each Affiliate's articles or constitution and bylaws shall be consistent with the standards set forth in Article I, Section 3, above and with the Articles and Bylaws of the National Association. Any exceptions to this consistency requirement must be approved by the Board of Directors.
- E. Affiliation of an International Association; Eligibility. An International Association is eligible to become an Affiliate of the National Association if it:
1. Satisfies the definition of Article I, Section 2, Paragraph J;
 2. Represents Horsemen racing at a racetrack located in another country, nation, region or province outside North America;
 3. Establishes and maintains an appropriate organizational structure in accordance with the applicable law of its geographic locale;
 4. Complies with Article II, Section 1, Paragraphs C and D above; and
 5. Agrees to contribute dues to the National Association in an amount annually determined by agreement with the National Association.

- F. Re-Affiliation Procedure. Any association of Horsemen that withdraws from an Affiliate listed on Schedule A can submit an application to affiliate with the National Association. The new applicant, upon completion of the Affiliation process, will be added to Schedule A upon approval of the Board of Directors.

Section 2 *Membership*

- A. Honorary Members. Any person who has performed some distinguished service to the sport of horse racing may be elected by the Board of Directors, in its sole discretion, as an Honorary Member. Honorary Members shall not be required to pay dues or assessments or make contributions to the National Association and shall not be entitled to vote, solely by virtue of such Honorary Member status, or hold office in the National Association.
- B. Associate Members. Associate Members, as defined in Article I, Section 2, Paragraph D above, shall not be entitled to vote or hold office in the National Association. They shall, however, be eligible to receive various Membership benefits as determined by the Board of Directors.

Section 3 *Duties of Affiliates*

- A. Duty of Appropriate Conduct. It shall be the duty of each Affiliate of the National Association to conduct itself at all times in such manner as to merit the respect of the public and to act at all times in the best interests of the National Association.
- B. Duty as to Conflicts of Interest. It shall be the duty of any Officer, Director, Affiliate Leader or any other person holding an Officer or Director Position in the National Association to comply with the Conflict of Interest Policy as stated in Article VII, herein below.
- C. Duty to Abide by Bylaws, Board Orders/Decisions. Upon becoming an Affiliate of the National Association, each Affiliate and Affiliate Leader agrees to abide by the National Association's Bylaws and the orders and decisions of the Board of Directors and its Executive Committee with regard to the affairs of the National Association.
- D. Duty to Pay Affiliate Dues. It shall be the responsibility of each Affiliate to pay the dues levied by the National Association upon the Affiliate on a quarterly basis unless an exception is granted by the Board of Directors after written request is made stating the reasons for said request. Failure to pay dues, unless waived by the Board of Directors, may result in the immediate suspension or expulsion of that Affiliate from the National Association.
- E. Duty to Pay Associate Member Dues. It shall be the responsibility of each Associate Member to pay dues levied on him by the National Association.

Section 4 *Suspension or Expulsion of Affiliates*

An Affiliate may be suspended or expelled from Affiliation with the National Association by two-thirds (2/3rds) weighted vote by the Board of Directors for non-payment of dues and assessments, for any other violation of these Bylaws, for illegal conduct or for failure to maintain the eligibility requirements of an Affiliate.

Section 5 Temporary Dues Reduction

In the event that an Affiliate is granted an exception for the payment of dues (as provided in Section 3, D. above), and the reduction results in the Affiliate's level of dues placing it in a Tier different than that represented by the Affiliate's required dues level before such exception, then the Affiliate during the term of such reduction will have weighted voting rights and rights to membership on the Executive Committee that corresponds to other Affiliates in the Tier represented by the reduced level of dues. The letter waiver granting such exception will include information concerning the amount of said reduction as well as the change in Affiliate's rights affected by such dues reduction.

ARTICLE III - Elections and Voting

Section 1 Nominating Committee and Nominations

- A. Appointment of Nominating Committee. There shall be a Nominating Committee of not less than three members of the Board of the National Association appointed by the Chairman. At least one member of the Nominating Committee shall be selected from the members of the Board who are not also members of the Executive Committee. The Chairman shall make Nominating Committee appointments on or before seventy-five (75) days prior to the regularly scheduled election of the National Association's Officers. No member of the Nominating Committee will be eligible for nomination to an elected Officer's position.
- B. Nomination Date. The Nominating Committee shall nominate candidates for Chairman no later than forty-five (45) days in advance of the Board of Directors meeting which any election of such Officer is to occur."
- C. Exceptional Circumstances. Notwithstanding any provision to the contrary, the Nominating Committee, upon the finding that exceptional circumstances exists which provide the availability of one or more particularly suitable candidates who do not meet the eligibility requirements under this Article, may nonetheless nominate such candidates by a two-thirds (2/3) majority vote of the Nominating Committee and provided further that the nominations of such candidates for Chairman and Regional Vice Presidents be submitted to the Executive Committee for its approval no later than forty-five (45) days in advance of the Board of Directors meeting at which any election of such Officers is to occur. Upon being nominated as set forth in this subsection and with the approval of the majority of the Executive Committee, any such candidates shall be deemed as having met the eligibility requirements of this Article.
- D. Floor Nominations. Nominations for the candidates for Officers of the National Association may also be made from the floor at a Board of Directors meeting; however, all floor nominations require two seconds from Directors.

Section 2 Eligibility and Election of National Association Officers

- A. Eligibility.

- (i) CHAIRMAN: Nominees for Chairman shall be an Affiliate President or Vice President at the time of nomination or shall have previously served as an Affiliate President or Vice President and be, at the time of nomination, eligible under the Affiliate's constitution and bylaws to serve as its President without regard to any restrictions based upon term limits.
- (ii) REGIONAL VICE PRESIDENTS: A Regional Vice President shall be an Affiliate President or Vice President at the time of nomination or shall have previously served as Affiliate President or Vice President and be, at the time of nomination, eligible under the Affiliate's constitution and bylaws to serve as its President without regard to any restrictions based upon term limits.

In the event that any duly elected Regional Vice President shall be unable to obtain funding of his/her costs for travel to meetings of national from his/her Affiliate, any regional affiliates(s), or otherwise, then that Regional Vice President shall be permitted to and shall participate electronically to the extent practical under the circumstances and by so participating he or she shall not be deemed to be absent from such meeting;

- (iii) FIRST REGIONAL VICE PRESIDENT: Nominees for First Regional Vice President shall include only the four sitting Regional Vice Presidents.

- B. Election. The Chairman/President shall be elected by a majority of votes of the Board of Directors every three (3) years at the National Association's regular summer meeting in accordance with the weighted voting requirements of Section 3 Paragraph E below. In the event that no candidate for Chairman/President receives the majority of votes cast on the first ballot, then the two (2) candidates for such office receiving the highest number of votes on the first ballot shall participate in a run-off election until there is a majority of votes cast for one candidate. During this summer meeting of the National Association and after the Chairman/President has been elected, elections will be held by region (four regions set forth in attached Schedule B) for each Regional Vice President. The Regional Vice Presidents shall be elected by a majority of votes cast by the Presidents, or other duly authorized representatives (as provided in Article V, Sections 2 and 3 below) of each Affiliate in the assigned region who are present at the meeting. Following the election of the Regional Vice Presidents, a caucus of the four Regional Vice Presidents shall be held to nominate the individual who shall serve as First Regional Vice President. The individual so nominated by the Regional Vice Presidents shall be placed in nomination before the full Board for purpose of the Board's weighted vote and election.

Section 3 Voting and Weighted Voting

- A. Majority Vote Rule. Unless otherwise specifically provided in these Bylaws, all decisions requiring a vote by the Board of Directors, the Executive Committee, or other Committees of the National Association, shall be determined by majority vote consisting of one vote per voter.
- B. Committee Voting. All voting by the members of the Executive Committee or any other Committee of the National Association shall be non-weighted, such that each Affiliate's voting representative casts one vote. Elected Officers of the National Association shall also be entitled to cast one vote each on the Executive Committee and on such other Committees

on which they serve unless their service is designated *ex officio* only. The CEO of the National Association shall not be entitled to vote on any Committee, but shall be deemed to serve on Committees in an *ex officio* capacity only.

- C. Authorization to Vote on the Board. An Affiliate may only vote on matters coming before the Board of Directors of the National Association through its President or other duly authorized representative as set out in Article V, Sections 2 or 3 below.
- D. Affiliate and Officer Voting on the Board. Except when voting on the matters listed in Section 3, Paragraph E below or as otherwise expressly required in these Bylaws, all voting by the Board of the National Association shall be conducted on the basis of one vote per Affiliate and one vote per the duly elected Officers of the National Association (i.e., Chairman and First Regional Vice-President). Provided however, that if the Chairman or First Regional Vice-President is voting on a matter in his capacity as an Affiliate President, he may not also vote Chairman or First Regional Vice-President of the National Association.
- E. Weighted Voting. When voting on the following matters, voting by the Board of Directors shall be conducted in a weighted fashion with each Affiliate having the weighted votes provided for in Schedule A:
 - 1. Voting on subject matter which by its nature would fiscally impact Affiliates;
 - 2. Voting for the elected Officers of the National Association;
 - 3. Voting to amend these Bylaws;
 - 4. Voting for the approval of application for a new Affiliate; and,
 - 5. Voting on the suspension or expulsion of an Affiliate.

Section 4 Hearing Process on Matter of National Election or Disciplinary Concern

- A. Scope of Hearing Matters. The Executive Committee shall sit as a hearing body to hear and decide any matter of election or disciplinary concern to the National Association.
- B. Procedures for Filing Charge, Protest or Alleged Violation Any Officer, Director, Affiliate Leader, or Affiliate-Member may file a charge, protest or alleged violation against a National Officers as defined in Article 1, Section 2, Paragraph L concerning matters of election or disciplinary concern by following the procedures below:
 - 1. Charges, protests or alleged violations pertaining to matters of election or disciplinary concern shall be made to the Executive Committee;
 - 2. Charges, protests or alleged violations shall be in writing, signed by the charging party and mailed or hand delivered to the National Association headquarters to the attention of the Chairman or CEO, Secretary/Treasurer and Legal Counsel and must, without good reason being shown for any delay, be filed within ninety (90) days of the act or omission

which is the subject of the complaint; and,

3. A charge, protest or alleged violation must state the full name and address of the charging party and the respondent, and shall contain a complete and clear statement of the facts that constitute the alleged wrongful act, omission or violation. The charging party must be prepared to substantiate or prove the charge, protest or alleged violation by live testimony at a hearing and/or by sworn statements, documentary or other relevant and credible evidence.

- C. Due Process for Hearing. The Executive Committee may only act after a hearing, reasonable notice to the National Officer of the time and place of the hearing, and providing the National Officer a reasonable opportunity to present evidence in support of the National Officer's position. It shall take a majority vote of the members present at a duly called meeting of the Executive Committee to take action under this Bylaw. Minutes of the hearing shall show the vote of each of its members on each matter or motion on which a vote is taken. An official record of hearing proceedings and any decision rendered pursuant to such hearing shall be kept, shall not be subject to review, ratification or approval of the Board of Directors, and shall be the final action of the National Association unless an appeal is taken to the Board of Directors within thirty (30) days of the mailing of the Executive Committees decision.

ARTICLE IV - Government of the National Association

Section 1 Organization

The National Association shall consist of its Affiliates as provided for in these Bylaws. The National Association shall be governed by a Board of Directors. The Board of Directors shall elect, appoint or select the Officers of the National Association as provided for in these Bylaws. The functions of the National Association may be carried on between Board of Directors meetings by the Executive Committee, Officers, and such other Committees as provided for in these Bylaws or as established from time to time.

Section 2 Articles of Incorporation, Bylaws and Rules of Order

- A. The Articles of Incorporation and these Bylaws shall govern the National Association.
- B. Except as otherwise provided herein, all proceedings of the National Association shall be conducted, to the extent practical, in accordance with the Robert's Rules of Order; Newly Revised.

Section 3 Associate Membership/Affiliation Roster of National Association

- A. Roster of Affiliates. A roster of Affiliates in good standing with the National Association shall be kept as Schedule A to these Bylaws.
- B. Roster of Associate Members. A roster of Associate Members in good standing shall be kept by the National Association and updated from time to time.

Section 4 Powers and Duties of the Board

- A. Board Management and Control. The Board of Directors shall be vested with and shall exercise all the powers of the National Association and upon it is conferred the management, direction and control of the National Association.
- B. Power to Censure, Suspend or Expel. The Board of Directors, after a hearing before the Executive Committee, shall have the power to censure, suspend, or expel any Affiliate or Officer of the National Association.
- C. Hear Appeals. The Board of Directors shall have the power to determine appeals from decisions of the Executive Committee.
- D. Revise/Amend Bylaws. The Board of Directors shall have the right to adopt proposed revisions and amendments to these Bylaws in accordance to Article III, Section 3, Paragraph E, Sub-paragraph 3.
- E. Budget. The Board of Directors shall on or before April 15th of the current fiscal year approve and adopt a budget to be adhered to during that fiscal year for the National Association (and budget(s) of any related entities owned or control by the National Association).
- F. Dues Assessments and Appeals. The National Association, at the direction of the Board of Directors shall assess and publish its Dues Schedule upon which the dues of each Affiliate have been levied.
 - 1. Dues Survey. On or before November 1 each Affiliate shall complete and return to the National Association a current survey of information to be used in connection with the determination of the appropriate level of dues obligation for the upcoming fiscal year. In the event that an Affiliate fails to provide the completed survey information by the November 1 deadline, the National Association may use the best available information to establish the Affiliate's dues level and such Affiliate loses it right to appeal the next fiscal year dues level as set forth in Section 4 below.
 - 2. Dues Changes. In the event of a change in the dues obligation of an Affiliate, the Chairman with the advice of the Budget, Dues and Investment Committee, CEO and Secretary-Treasurer, shall mail or e-mail to each such Affiliate on or before December 15 of the prior fiscal year, a proposed dues schedule, along with the dues formula, to be brought before the Board of Directors for adoption pursuant to provision herein on or before April 15th of the upcoming fiscal year. Beginning January 1, each Affiliate will be invoiced for dues at the proposed levels, and shall pay these amounts, pending adoption of the budget with corresponding dues levels by the Board of Directors as set forth herein. Should an Affiliate successfully win an appeal of its dues as set forth in Section 4 below, the dues collected in excess of the finally established dues obligation shall be either refunded or credited against future dues of that Affiliate at the discretion of the National Association.
 - 3. No Dues Change. In the event of no change in dues obligation of an Affiliate for the upcoming fiscal year, the National Association, on an annual basis, shall mail or e-mail to

each Affiliate a current dues notice on or before December 15 of the prior fiscal year.

4. Appeals. An Affiliate who believes the amount of its dues or special dues assessment is unfairly allocated (i.e., the Affiliate was placed in an improper Tier) may appeal such dues by filing a written statement of appeal with the National Association (Attn: CEO) on or before January 15th. The appeal will be considered at the next meeting of the Board of Directors. The appeal shall be made to the Budget, Dues and Investment Committee and a recommendation made by that Committee to the full Board of Directors. The written statement shall, at a minimum explain, why the Affiliate believes the dues allocation was unfairly allocated, and shall contain sufficient financial and other supporting information and documentation for an evaluation of the appeal.
 5. Appeal Decision. The Board of Directors decision will be rendered in writing to the affected Affiliate as soon as reasonably practical after the Board of Director's determination on the appeal.
 6. Special Assessments. The Board of Directors shall use its best efforts to operate the National Association (and any entities owned or controlled by the National Association) within its annual budget. However, in the event unforeseen or extraordinary events occur which result in the National Association (or an entity owned or controlled by the National Association) having insufficient funds to discharge its debts and/or responsibilities, the Board of Directors by a two-thirds (2/3rds) weighted vote may propose a special assessment to the Affiliates. The Chairman with advice from the Budget, Dues and Investment Committee, CEO and Secretary-Treasurer must certify the circumstances to the Board of Directors. Thereafter, upon a least ten (10) days written notice, an emergency meeting of the Board of Directors shall be convened by the Chairman at which the amount of such special assessment shall be determined and levied.
 7. Executive Committee Seat In Light Of Dues Increase. In the event the Board of Directors of the National Association approves a dues structure in a year when there is not a normally scheduled election of members of the Executive Committee as described in Article V, Section 6, and: (A) if the approved dues structure results in an Affiliate that currently had a seat (primary or alternate) on the Executive Committee moving from T-3 to T-4, the Affiliate will retain its T-3 seat (primary or alternate), until the next normally scheduled Executive Committee election provided the Affiliate's dues remain at the new approved higher dues level until the next normally scheduled Executive Committee election; and (B) if the approved dues structure results in an Affiliate that currently had a seat (primary or alternate) on the Executive Committee moving from any lower Tier level to T-6, the Affiliate will receive a seat at T-6 and its seat at the lower Tier level shall either: (i) remain vacant until the next normally scheduled Executive Committee election if the Affiliate had an alternate Executive Committee seat, or (ii) shall be filled by one of the already elected alternate Executive Committee members at that lower tier level if the Affiliate had a primary Executive Committee seat.
- C. Appointment / Employment of CEO and Legal Counsel. The Board of Directors shall appoint or employ a CEO and Legal Counsel and shall otherwise supervise the conduct of CEO and Legal Counsel. The Chairman may appoint a Personnel Committee with the advice and

consent of the Board of Directors to assist with periodically evaluating the performance of the CEO and Legal Counsel, and negotiating any contract of employment or retainer agreement.

- D. Appointment of Secretary-Treasurer. The Secretary-Treasurer shall be appointed by the Chairman, with the advice and consent of the Board.

Section 5 Amendments to Bylaws

Amendments to these Bylaws may be proposed by the Board of Directors or a Board of Directors Members, or a Committee appointed by the Board of Directors for that purpose, or by a petition filed with the Secretary-Treasurer or CEO, signed by not less than two-thirds (2/3rds) of the Presidents of the Affiliates listed in Schedule A.

Section 6 Obligations of the National Association

All notes and financial obligations of the National Association shall be signed by any two Officers. All checks and other negotiable instruments signed by any two Officers which may include the CEO. Excluded from this requirement are checks for payment of National Association's contractual obligations, checks for items approved and within the annual budget, and checks for other items which are less than fifteen hundred dollars (\$1,500.00).

Section 7 No Discrimination Based on HBPA Related Activities

The entire strength of the National Association shall be given in support of any of its Officers or Directors acting officially for the National Association, or any Affiliate leader or Affiliate-Member who has been discriminated against in the allocation of stalls or in any other respect on account of his activities on behalf of the National Association or any Affiliate in accordance with these Bylaws.

Section 8 Use of the National Association Name

- A. National's Ownership of Name and Logo; Affiliate Recognition of Ownership. The name "Horsemen's Benevolent and Protective Association", and the acronyms "H.B.P.A." or "HBPA", or any variation thereof, as well as the National Association's logo pictured on the cover of these Bylaws, or any variation thereof, are the sole and exclusive property of and registered to, the National Association. In consideration of being accepted for affiliation or membership with the National Association, each Affiliate agrees, acknowledges and forever promises to recognize, regardless of present or future affiliation or association with the National Association, that this name and logo are the exclusive property of the National Association.
- B. Authorization and License to Use Name and Logo; Revocation of License. Affiliates in good standing with the National Association shall be authorized and licensed to use the National Association name and logo so long as such use is legal, is consistent with the authorized business of the Affiliate, is not inconsistent with the Affiliate's articles or constitution and bylaws nor these Bylaws, and is not otherwise injurious to the interests of the National Association. All other use of the name and logo is strictly prohibited. No person, firm or corporation, no publication except *The Horsemen's Journal*, no Affiliate, Affiliate Leader, Affiliate-Member, Director, Officer, or Associate Member of the National Association is permitted to use the name and/or the logo for personal, commercial or other benefit without

the express written permission and license of the National Association. This license granted to Affiliates shall be deemed immediately rescinded and revoked upon any Affiliate's disaffiliation or disassociation with, or expulsion from the National Association. Any further use of the name and logo after disaffiliation, disassociation or expulsion by a former Affiliate shall be deemed unauthorized and prohibited without the National Association's express written consent.

- C. Irreparable Injury from Unauthorized Use. All Affiliates agree and acknowledge that any unauthorized use of the National Association's name or logo will result in irreparable injury to the National Association and its mission, and further that such damage cannot be adequately remedied at law. Any unauthorized use by an Affiliate shall, in the National Association's sole discretion, result in the Affiliate's suspension and/or expulsion from the National Association, and the Board of Directors may pursue any or all available legal and equitable remedies against the Affiliate to enjoin and restrain any further unauthorized use and/or recover damages, if calculable, from any unauthorized use.
- D. Jurisdiction, Venue and Fees in Suits Concerning Name and Logo. Each Affiliate agrees that any and all disputes, claims, lawsuits or actions arising out of, or pertaining to an Affiliate's use of the name or logo of the National Association, or pertaining to the National Association's claim to exclusive ownership in and to such name and logo, shall be litigated exclusively in a court of competent jurisdiction situated in the county of the National Association's headquarters, and no other court. Each Affiliate further agrees to be subject to the personal jurisdiction and venue of such courts and hereby agrees to waive any legal defense as to personal jurisdiction or venue with regard to any lawsuit pertaining to the ownership and/or use of the National Association's name or logo if sued by the National Association in a competent court situated in the county of National's headquarters. Each Affiliate further agrees to pay the National Association's reasonable attorney's fees and litigation costs incurred by it in having to defend or transfer any lawsuit brought against the National Association by such Affiliate in any forum other than a court of competent jurisdiction situated in the county of National's headquarters.

ARTICLE V Board of Directors and Officers of the National Association

Section 1 Board of Directors - Membership

The Board of Directors shall consist of the duly elected presidents of each of the Affiliates plus the duly elected Chairman, and Regional Vice Presidents of the National Association.

Section 2 Voting by Board Members and Officers

The Chairman, Regional Vice Presidents, and the Affiliate Presidents, as Directors, shall be entitled to vote on matters coming before the Board of Directors as provided in Article III, Section 3 of these Bylaws. Regardless of the number of offices or capacities in which an elected Officer of the National Association or Director may serve, no person may vote on any one issue in more than one capacity or more than one time. A Vice President or elected local Director of an Affiliate, if attending a Board of Directors meeting in the absence of the President of that Affiliate, may serve as a voting Member of the Board of Directors pro tempore. A Secretary-Treasurer or Executive Director of an Affiliate, if attending in the absence of

its President, Director or Vice President, if holding the written proxy of the President or Vice President, may serve as a voting member of the Board of Directors pro tempore.

Section 3 Vacancies on the Board

In the event an Affiliate's President is unable to represent an Affiliate on the Board of Directors of the National Association and the Affiliate is not otherwise represented pro-tempore in accordance with Article V, Section 2 above, the Affiliate may, by duly adopted resolution, designate another individual who is a local Affiliate Director to serve as its representative on the Board of Directors of the National Association. The authorizing resolution for such individual must be presented to and accepted by the Board of Directors before the individual may be seated as the voting representative of the Affiliate.

Section 4 Board and Committee Meetings

- A. Regular and Special Meetings. The Board of Directors shall hold regular semi-annual meetings for the transaction of such business as requires its attention. Special meetings of the Board of Directors may be called at any time on ten (10) days' notice by the Chairman or upon the written request of a majority of the Board of Directors.
- B. Special Meeting Call. Teleconference Meetings for Emergency. The Chairman and Executive Committee may call an emergency meeting of the Board of Directors by teleconference when there is a good cause. Voting on emergency motions shall be confirmed in writing.

Section 5 Quorum for Board Meetings

A quorum of the Directors must be present at any meeting of the Board of Directors in order to vote and transact business. The presence of greater than 50% (in number) of the Board Members either in person or represented as otherwise provided for herein, shall constitute a quorum. In the absence of a quorum, the Board Members present may adjourn the meeting from time to time.

Section 6 Executive Committee

There shall be an Executive Committee of the Board of Directors. The Membership, functions and operations of which shall be as follows:

- A. Membership. The Members of the Executive Committee shall include:
 1. National Elected Officers. The Chairman and Regional Vice Presidents shall each have a seat on the Executive Committee with full voting rights;
 2. Seats of Largest Affiliates. Each of the Affiliates in the three top tiers of the National Association, as measured by the dues and voting shares established on Schedule A as Tier 6, Tier 5, and Tier 4 Affiliates shall have a seat on the Executive Committee. Each shall be entitled to one vote on the Executive Committee, and the person entitled to cast the Affiliate's vote shall be the same as set out in Article III, Section 3, Paragraph C above;
 3. Elected Seats of Smaller Affiliates. Four (4) seats on the Executive Committee shall be

reserved for the elected representative of smaller sized Affiliates. Affiliate's whose voting shares are T-3, T-2 or T-1, as measured on Schedule A, shall nominate and elect four (4) Affiliates having T-3, T-2 or T-1 voting shares to serve as their representatives on the Executive Committee. The election for such seats shall occur during the same Board of Directors meeting at which the National Association's Officers are elected. The Affiliates so elected shall serve a term of three (3) years and be entitled to one vote on the Executive Committee, and the person entitled to cast each Affiliate's vote shall be the same as set out in Article III, Section 3, Paragraph C above. This Section is subject to the provisions of Article IV, Section 4, Paragraph F-7 above.

4. Ex Officio Capacity. The CEO, Secretary-Treasurer and Legal Counsel may attend any meeting of the Executive Committee *ex officio* as its advisors but with no voting rights unless the Legal Counsel or Secretary-Treasurer otherwise occupies a voting representative's seat pursuant to Article V, Section 6, Paragraph A, Subparagraph 2, or 3 above.
 5. Alternates on Executive Committee. At each election, under Article V, Section 6, Paragraph A, Subparagraph 3, the Affiliates who received the fifth and sixth most votes under Article V, Section 6, Paragraph A, Subparagraph 3 shall be the first and second alternates, respectively. If any one elected Affiliate on the Executive Committee for T-3, T-2 or T-1 does not attend an Executive Committee meeting then the first alternate shall serve and have voting privileges at that Executive Committee meeting and if the first alternate is not available then the second alternate shall serve and shall have voting privileges at that Executive Committee meeting. If two elected Affiliates on the Executive Committee for T-3, T-2 or T-1 do not attend an Executive Committee meeting, then the second alternate shall also serve and have voting privileges at that Executive Committee meeting.
- B. Meetings. Once each year between meetings of the Board of Directors, the Executive Committee shall meet at the call of the Chairman and shall exercise all of the powers and authority of the Board of Directors in the management of the business and affairs of the National Association not inconsistent with or contrary to a Board of Directors policy expressed in the minutes of a Board of Directors meeting or a provision of these Bylaws.
 - C. Minutes. Each act or decision of the Executive Committee shall be recorded in the minutes of the meeting and shall be subject to the approval of the Board of Directors at its next semi-annual meeting.
 - D. Quorum for Executive Committee Meetings. A quorum of the Directors must be present at any meeting of the Executive Committee in order to vote and transact business. The presence of greater than 50% (in number) of the Executive Committee Members either in person or represented as otherwise provided for herein, shall constitute a quorum. In the absence of a quorum, the Executive Committee present may adjourn the meeting from time to time.

Section 7 *Executive Session*

Pursuant to *Roberts Rules of Order, Second Edition* the Chairman, a voting member of the Board or a voting member of a Committee may make a motion to go into Executive Session. This motion is a privileged

motion and must be adopted by a majority vote of the voting members of the Committee and/or Board. If the motion is adopted, all non-voting members of the Committee or Board, unless otherwise invited, will be requested to leave the meeting until the members vote to end the Executive Session. Matters not contained in the motion are prohibited from consideration during Executive Session. All attendees are honor-bound not to discuss the proceedings outside of the Executive Session.

Section 8 Audit Committee

There shall be an Audit Committee comprised of at least three members of the Board who are appointed by the Chairman with concurrent approval by a majority of the other elected officers of the National Association, namely the four (4) Regional Vice Presidents. Appointments to the Audit Committee shall be confirmed at the next semi-annual meeting of the Board of Directors. The Audit Committee shall have the following duties and responsibilities:

- A. Recommend to the Board, on an annual basis, one or more certified public accounting firms to prepare and file tax and other returns required by federal, state and local laws, to prepare an annual audit for the National Association, and such related entities as the Board may direct, to otherwise advise the Board regarding fiscal matters, and to recommend a system of bookkeeping and accounting for the National Association.
- B. Not less than every four (4) years, solicit proposals from different outside auditing firms, for auditing and tax return preparation services, evaluate such proposals and make appropriate recommendations to the Board regarding the employment of an outside accounting firm, based on such factors as the Committee deems appropriate, including but not limited to, qualifications / expertise, cost, experience, and location.
- C. On an annual basis, the Audit Committee shall either: (a) examine the financial management policies and practices of the National Association and its related entities, to insure that financial operations are done according to policy and with adequate controls; or (b) as a matter of its due diligence, hold discussions with the appointed outside auditors to inquire as to that firm's efforts to perform the duties identified in item (a) of this Section. Without limiting the foregoing, the Audit Committee, prior to the annual audit(s), shall review with the CEO and the outside auditors, the organizations': (i) accounting and financial reporting controls; (ii) significant accounting and reporting principals, practices, and procedures, used by the National Association and its related entities, in preparing their financial statements; and (iii) the scope and general extent of the outside auditor's annual audits.
- D. On an annual basis, the Audit Committee, after the completion of the annual audits, shall review with the CEO and the outside auditors: (a) the results of the audits; (b) any serious disputes or difficulties the outside auditors encountered during the audits; (c) the cooperation received by the outside auditors during the audits; (d) any serious unresolved disagreements between the CEO and the outside auditors; (e) make note of any irregularities noted by the outside auditors in performance of its duties, regardless of their materiality; and (f) any material or significant findings and recommendations made by the outside auditors which shall be discussed, and promptly acted upon as necessary or appropriate in the opinion of the Audit Committee.
- E. On an annual basis, the Audit Committee (or a sub-committee thereof as designated by the Chair) and the outside auditors shall jointly review the Federal State and local tax returns (including but not limited to IRS Form 990(s)) and 1120(s)) as applicable, prepared by the outside auditor(s), and the supporting schedules, attachments and notes related thereto, prior to the signing of the tax returns by the appropriate officers of the National Association (or the related entities) and the filing of the tax returns.

- F. The Audit Committee shall, at a minimum, at the completion of the annual audit(s), make a report to the Executive Committee of the National Association and the Full Board of the National Association (and the Full Board(s) of any related entities) regarding the results of the audit(s) of the National Association and its related entities.
- G. The selected outside auditor shall be directed to contact the Chair of the Audit Committee, and the outside auditor shall coordinate directly with the Chair of the Audit Committee as necessary or appropriate to accomplish the above duties and responsibilities and to help ensure the financial integrity of the National Association and the related entities.
- H. At least quarterly, after receipt from the full-time staff of the National Association, review the various internally prepared financial statements (including but not limited to Profit and Loss Statements, Balance Sheets, and Accounts Receivable) of the National Association and the related entities and thereafter: (a) direct the full-time staff of the National Association to take appropriate action related thereto as necessary or appropriate, and/or (b) make such recommendations to the Executive Committee and/or the Full Board of the National Association or the related entities as are necessary or appropriate.
- I. Such other duties and responsibilities as the Board of the National Association shall designate in writing.

Section 9 Budget, Dues & Investment Committee

There shall be a Budget, Dues & Investment Committee appointed by the Chairman and confirmed at the next semi-annual meeting of the Board of Directors to serve for a term concurrent with the Chairman's term. The Committee shall be chaired by the Secretary-Treasurer. The Committee will consider new proposals and the future policies, aims and objectives of the National Association.

On or before December 15 of each fiscal year, the Chairman, with the advice of the Budget, Dues and Investment Committee, CEO and Secretary-Treasurer shall prepare and submit to the Board of Directors, a proposed budget, which the Board of Directors shall approve on or before April 15th of the upcoming fiscal year.

On or before December 15th prior to the fiscal year or which dues shall be due, the Chairman with the advice of the Budget, Dues and Investment Committee, CEO, and Secretary-Treasurer shall prepare and submit to the Board of Directors, for its consideration on or before April 15th of the upcoming fiscal year a proposed dues schedule for the National Association to be adhered to during the next fiscal year. The Chairman shall also mail or e-mail to each Affiliate notice of its dues obligation, and the proposed budget, for the next fiscal year by December 15 of the prior fiscal year pursuant to Article IV, Section 4 (F), above.

The Budget, Dues & Investment Committee shall be responsible for determining the proper investments for the National Association as well as the handling of funds for the National Association subject to the following requirements:

- A. Deposit all funds of the National Association in a federally insured reputable financial institution, after which such funds may be invested subject to the following guidelines:
 - 1. When investing, reinvesting, purchasing, acquiring, exchanging, selling and managing property of the National HBPA, act as a prudent investor would, in light of the purposes, cash flow requirements and other circumstances of the National Association;

2. Be guided by the standard described in Article V, Section 8, Paragraph A, above which requires the exercise of reasonable care, skill and caution and is to be applied to investments not in isolation, but in the context of the account portfolio and as part of an overall investment strategy which should incorporate risk and return objectives reasonably suitable to the National Association;
3. In making and implementing investment decisions, have the duty to diversify the investments of the account unless, under the circumstances, it is prudent not to do so;

B. Be certain to adhere strictly to the Conflicts of Interest provision as set forth in Article VII.

Section 10 Personnel Committee

There shall be a Personnel Committee appointed by the Chairman and confirmed at the next semi-annual meeting of the Board of Directors to serve for a term concurrent with the Chairman's term. The Personnel Committee will negotiate employee contracts and conduct annual employee reviews.

Section 11 Planning Committee

There shall be a Planning Committee appointed by the Chairman and confirmed at the next semi-annual meeting of the Board of Directors to serve for a term concurrent with the Chairman's term. The Planning Committee will consider new proposals and the future policies, aims and objectives of the National Association.

Section 12 Special Committees

The Chairman, on his own, or as deemed necessary by the Board of Directors or Executive Committee may appoint members of the Board of Directors or otherwise qualified affiliate officers, to special committees to serve for a term concurrent with the Chairman's term. Such appointments are subject to confirmation at the next semi-annual meeting of the Board of Directors and decisions of any and all such committees shall be subject to the approval of the Board of Directors.

Section 13 Pro-Tempore Voting on Standing and Other Committees

An Affiliate's elected Director, Executive Director or Secretary-Treasurer, if attending a standing or special committee meeting of the National Association in the absence of the Affiliate President who is a member of such standing or special committee, may serve as a voting member of such committee pro-tempore, if holding the written proxy of the Affiliate President.

Section 14 National Association Officers

- A. Bond for Certain Officers and Employees. The CEO, the Secretary-Treasurer, and any employees of the National Association as may be designated by the Board of Directors may be bonded in such amounts as determined by the Board of Directors.
- B. Chairman Emeritus. A Chairman of the Board Emeritus may be appointed by the Board of Directors. The Chairman Emeritus shall have such duties and responsibilities as may be

assigned by the Chairman and may attend meetings of the Board of Directors, but shall not be entitled to votes.

- C. Advisory Role. The Chairman, Regional Vice Presidents, Legal Counsel, CEO, and Secretary - Treasurer and staff shall be advisors and may attend all standing and special meetings.

Section 15 Tenure of Office

- A. Term of Officers. Except as otherwise provided herein, the elected Officers of the National Association (Chairman and Regional Vice Presidents) shall hold office for three year terms, which shall commence upon their election, and each Officer shall serve until their successor has been duly elected.
- B. Vacancy of Elected Officer Positions. In the case of a vacancy caused by the illness, death, resignation, disqualification or any other inability to serve by the Chairman of the National Association, the vacancy shall be filled by the First Regional Vice-President in accordance with Article V, Section 16, Paragraph A. A vacancy in the office of First Regional Vice-President shall be filled by majority vote of the Board of Directors at the next semi-annual meeting. A vacancy in the office of Regional Vice President shall be filled by election at the next semi-annual meeting or by special election, called by the Chairman upon at least fifteen (15) days' notice to the Affiliates in the affected region, with balloting to be conducted in any reasonable manner as shall be prescribed in the notice of the special election, each Affiliate within the region being entitled to one vote.
- C. Term of Secretary-Treasurer. The Secretary-Treasurer shall serve a term concurrent with the term of the Chairman.
- D. Term of CEO and Legal Counsel. The CEO and Legal Counsel shall be appointed by and serve at the will and pleasure of the Board of Directors unless otherwise provided in a written agreement approved by the Board of Directors.
- E. Multiple Office-Holding Prohibited. No person shall hold more than one office in the National Association at the same time, except the President of an Affiliate may concurrently serve as a Director and/or an Officer of the National Association. The CEO shall not serve as an officer or director of an Affiliate or as a Director of the National Association.

Section 16 Duties of National Association Officers

- A. Chairman/President. The Chairman shall preside at all Board and Executive Committee meetings of the Board of Directors and represent the National Association before industry and governmental bodies. He shall perform the duties assigned him by these Bylaws and the Board of Directors. The Chairman may authorize payment of travel expenses of any Regional Vice President or other designated emissary traveling at the Chairman's request for the specific purpose of fulfilling a mission on behalf of the National Association at the request of the Chairman, whether such travel be to a meeting of the National Association or otherwise.

In the absence of the Chairman, or upon the Chairman's illness, death, resignation, disqualification or any other inability to serve, the First Regional Vice-President shall exercise

all of the powers and authority of the Chairman and shall serve until the next semi-annual meeting at which time the Board of Directors shall hold a special election to elect a new Chairman to serve for the remainder of the vacating Chairman's term in accordance with Article III, Section 2, Paragraph B of these Bylaws.

- B. First Regional Vice-President. The First Regional Vice-President shall in the absence of the Chairman assume the role of the Chairman and exercise all power and authority of the Chairman's office until the next semi-annual meeting of the Board of Directors.
- C. Regional Vice President. The Regional Vice President shall assist the Chairman in the performance of the Chairman's authorized duties as deemed appropriate by the Chairman and/or the Board of Directors.
- D. CEO. The CEO shall be the principal executive officer of the National Association and shall perform the duties assigned to him by these Bylaws and the Board of Directors. The CEO shall assist and cooperate with each Affiliate where his services, advice and counsel are required or requested. The CEO's primary responsibility shall be the management and coordination of activities for the National Association and he shall perform other duties assigned to him by the Chairman or the Board of Directors.
- E. Secretary-Treasurer. The Secretary-Treasurer shall direct the National Association to give notice of and prepare the agenda for all meetings of the Board of Directors and the Executive Committee. The Secretary-Treasurer shall attend all meetings of the Board of Directors and the Executive Committee and record all votes and keep the minutes of all such proceedings. The Secretary-Treasurer shall serve as the Chairman of the Budget, Dues and Investment Committee. The Secretary-Treasurer shall keep the corporate seal of the National Association and shall affix it to all papers requiring a seal. He shall perform the duties assigned him by the Articles of Incorporation and these Bylaws. The Secretary-Treasurer shall also direct the National Association staff to do the following:
 - 1. Specified Duties.
 - a. Keep a record or roster of all Affiliates in good standing;
 - b. Have charge of all files and records of the National Association; and,
 - c. Collect, receive and hold all monies due or entrusted to the National Association and other evidence of Ownership in property, both real and personal, belonging to the National Association.
 - 2. Provide to each member of the Board of Directors a quarterly statement, showing the income and the disbursements, monies on hand, and other financial activities of the National Association;
 - 3. Supply a copy of proposed amendments to the Articles of Incorporation or these Bylaws to all Affiliate Presidents;
 - 4. Notify National Board of Directors of any noncompliance with the Articles of

- Incorporation or these Bylaws and directives of the Board of Directors as may come to the Secretary-Treasurer's attention;
5. Perform such other duties as from time to time may be prescribed by the Chairman, the Board of Directors, and Executive Committee, or by these Bylaws.
- F. Legal Counsel. The Legal Counsel shall furnish such legal advice as he may be called upon from time to time to give to the Chairman, the Board, the Officers and Directors, shall advise the National Association on legal matters, and shall serve as its parliamentarian.

Section 17 Compensation of Officers and Directors Prohibited; Subsistence and Travel Expense Reimbursement

Except as otherwise provided in these Bylaws or expressly approved by the Board of Directors, no Officer or Director of the National Association shall receive anything of value, directly or indirectly, for serving in his official capacity with the National Association. An Officer, Director, employee or invitee of the National Association may be reimbursed for subsistence and travel expense while in travel status on official business of the National Association except as may be otherwise restricted in the Articles of Incorporation or these Bylaws.

ARTICLE VI - Indemnification of Officers and Directors

- A. Indemnification to Fullest Extent. To the fullest extent permitted by, and in accordance with the provisions of the Kentucky Corporate Law, as the same exists or may hereafter be amended, the National Association shall indemnify each Director or Officer of the National Association against expenses (including attorney's fees), judgments, taxes, penalties, fines and amounts paid in settlement, incurred in connection with defending any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) to which such individual is, or is threatened to be made a party because he or she is or was a Director or Officer of the National Association, or is or was serving at the direction of and with the consent of the National Association as a Director, Officer, trustee, or committee member of another domestic nonprofit entity as described in Section C below, except in relation to matters as to which it shall be adjudged in such action or proceeding or any appeal therein that such director or officer is liable for gross negligence or misconduct in the performance of his/her duties..
- B. Non-exclusivity of Indemnification. The indemnification against liability provided by, or granted pursuant to, these Bylaws shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, action of disinterested directors, or otherwise, both as to action in the individual's official capacity and as to action in another capacity while holding such office of the National Association, shall continue as to a person who has ceased to be a Director or Officer of the National Association and shall inure to the benefit of the heirs, executors and administrators of such a person.
- C. Directors, Officers, Employees and Agents' Liability Insurance. The National Association shall purchase and maintain directors and officers liability insurance coverage: (1) on behalf

of an individual who is or was a Director, Officer, trustee, employee or any committee member of a duly constituted committee of the National Association, or (2) who, while a Director, Officer, trustee, employee or committee member of a duly constituted committee of the National Association, is or was serving at the direction of and with the consent of the National Association as a Director, Officer, or trustee, of another domestic nonprofit entity (including but not limited to domestic corporations, LLCs, partnerships, joint ventures, trusts, employee benefit plans or other enterprise), against liability asserted against or incurred by such individual in that capacity or arising from his or her status as a Director, Officer, , or trustee of such nonprofit entity where such individual is entitled to indemnification by the National Association, whether or not the National Association would have power to indemnify such individual against the same liability under the provisions of this Section of the Bylaws or Kentucky Corporate Law. For purposes of this Section and in connection with the coverage provided by the above described insurance policy, the term "Trustee" shall include anyone who qualifies as a trustee under a strict legal interpretation of such term and anyone who is appointed, authorized, designated or selected by the National Association to serve as a fiduciary of the National Association including but not limited to an agent or representative of the National Association.

- D. No Effect of Repeal/Modification of Bylaws upon Indemnification. Any repeal or modification of these Bylaws by the Board of Directors shall not adversely affect any right or protection of a Director or Officer of the National Association under these Bylaws or any previous Constitution and Bylaws of the National Association with respect to any act or omission occurring prior to the time of such repeal or modification.
- E. Elimination of Certain Liability of Directors. A Director of the National Association shall not be personally liable to the National Association for monetary damages for breach of his/her duties as a Director, provided that this provision shall not eliminate or limit the liability of a Director for the following:
1. For any conflict of interest or any transaction in which the Director's personal financial interest conflicts with the financial interests of the National Association;
 2. For acts or omissions not in good faith or which involve intentional misconduct or are known to the Director to be a violation of law; or
 3. For any transaction from which the Director derived an improper personal benefit. This provision shall continue to be applicable with respect to any such breach of duties by a Director of the National Association as a Director notwithstanding that such Director thereafter ceases to be a Director and shall inure to the personal benefit of his heirs, executors and administrators.

ARTICLE VII - Conflicts of Interest

No person, Affiliate, Officer, employee, or entity acting on behalf of the National Association in any transaction(s) shall do so where there exists a condition which constitutes a conflict of interest on behalf of such person, Affiliate, Officer, employee or entity **unless** the conflict of interest is fully disclosed and

made known in advance of the transaction to the National Association by the party having the conflict of interest and such party has received the written notice by the National Association as to whether, how and under what conditions to proceed with the transaction(s).

“Conflict of Interest” shall mean any circumstance or situation where a person, Affiliate, Officer, employee or entity acting on behalf of or in a position of trust with the National Association has, directly or indirectly, an existing or potential financial or other material interest in any transaction.

ARTICLE VIII - Dispute Resolution for Affiliates

- A. Scope of National’s Involvement in Resolution of Internal Disputes of Affiliates. At the request of an Affiliate for assistance with an internal dispute, National will in its sole discretion determine whether it will participate in serving as a mediator for such dispute. In the event that National decides to participate, such participation in the resolution of the dispute(s) will be under the following terms and conditions:
1. Condition for Participation. Both sides to the dispute must agree to use National for the mediation of such dispute(s) and provide a written request filed with the National Office in Lexington, Kentucky as provided in Paragraph 3, below.
 2. Scope of Hearing. The Executive Committee shall sit as mediator of the dispute and attempt to reach a resolution of the dispute.
 3. Procedures and Content of Request. Any Director, Affiliate Leader, or Affiliate-Member may file a written request with National provided that both sides to the dispute are in agreement that Executive Committee of National is to serve as the mediator of the dispute. The written request shall be signed by the representatives of the parties to the dispute. The request must state the full name and address of all individuals to the dispute, and shall contain a complete and clear statement of the facts that constitute the dispute. All parties must further agree that National shall be immune from liability for its involvement in such mediation and agree that the parties shall be equally responsible for any costs incurred by National in conducting the mediation hearing set forth below.
 4. Hearing. The Executive Committee will make its recommendations as mediator to resolve the dispute after a hearing, reasonable notice to both parties of the time and place of the hearing, and providing each side a reasonable opportunity to present evidence in support of its position. Minutes of the hearing shall show the vote of each of its members on each matter or motion on which a vote is taken. An official record of hearing proceedings and any recommendations rendered pursuant to such hearing shall be kept.
 5. Advisory. Any recommendation(s) of the Executive Committee to resolve the dispute shall be advisory and not binding on the parties to the dispute.

Schedule B (Affiliates by Region)

