BYLAWS

OF

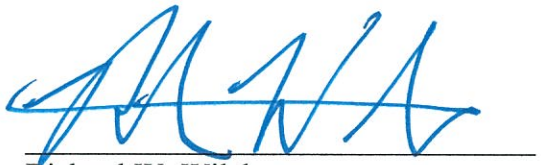
KENTUCKY QUARTER HORSE RACING ASSOCIATION, INC.

January 9, 2016

BYLAWS CERTIFICATE

The undersigned certifies that he is the Secretary of the Kentucky Quarter Horse Racing Association, a Kentucky nonprofit corporation, and that, as such, he is authorized to execute this certificate on behalf of said corporation, and further certifies that attached hereto is a complete and correct copy of the presently effective bylaws of said corporation.

Dated: January 9, 2016



Richard W. Wilcke
Secretary

BYLAWS OF THE

KENTUCKY QUARTER HORSE RACING ASSOCIATION, INC.

(Revised January 9, 2016)

ARTICLE I. NAME AND OFFICES

Section 1.1 Name. The name of the Corporation shall be the Kentucky Quarter Horse Racing Association, Inc., hereinafter referred to as the KyQHRA.

Section 1.2 Business Offices. The principal office of the KyQHRA shall be located at P.O. Box 85, Eastwood, Kentucky 40018-0085, or at such other place or places as the board of directors shall determine from time to time.

Section 1.3 Registered Office. The registered office of the KyQHRA required by the Kentucky Nonprofit Corporation Act to be maintained in Kentucky may be, but need not be, the same as the principal office in Kentucky, and the address of the registered office may be changed from time to time by the board of directors or the officers of the KyQHRA.

ARTICLE II. PURPOSE AND OBJECTIVES

Section 2.1 Statement of Purpose. The goal of the KyQHRA shall be to promote and improve the racing, breeding, and welfare of American Quarter Horses and other sprint-racing breeds in Kentucky.

Section 2.2 Objectives. In furtherance of that goal, the objectives of KyQHRA shall be as follows:

(a) To protect the interests and rights of persons involved in such racing, including, but not limited to, owners, trainers, breeders, jockeys, exercise riders, and stable or farm employees; and to deal in a fair and reasonable manner with all pertinent aspects of racing including, but not limited to, the following:

1. Purse monies, including added monies and all horsemen's fees for nominating, sustaining, starting, or penalties;
2. Off-track betting;
3. Interstate simulcasting;
4. Account wagering;
5. Alternative gaming;
6. Historical racing;
7. Performance rights;
8. Interest on owners' deposits in horsemen's bookkeeper accounts;
9. Negotiation of contracts with racetracks.

(b) To assist, promote, and encourage cooperation in the development of a positive working relationship among all aspects of horse racing for the health and improvement of the industry in Kentucky

(c) To gather, correlate, and disseminate information about horses bred, owned, raised, or trained for the racing and breeding industry;

(d) To cooperate with and advise legislative bodies, state agencies, racing associations, and racing commissions in the establishment of statutes, directives, proper rules, and conditions, which affect in any manner the interests of breeders, owners, trainers, or their employees;

(e) To foster any movement deemed capable of assuring or protecting the general welfare of the racing industry, including interests of breeders, owners, trainers, or their employees;

(f) To support development of insurance programs for members that may include, but need not be limited to, health and accident, personal and professional liability, accidental death and dismemberment, major medical, equine mortality, and workers' compensation;

(g) To create, foster, and encourage a healthy, improved, and sustainable business climate for the horse racing industry;

(h) To aid in establishment and maintenance of benevolence or welfare programs at racetracks, training centers, or breeding establishments;

(i) To create, establish and maintain funds to promote any of the foregoing;

(j) To establish and maintain other member services as the board of directors may from time to time deem necessary.

ARTICLE III. MEMBERS

Section 3.1 Classification and Qualification of Regular Members. The KyQHRA shall have one class of Regular (voting) members. Any person may become a Regular member of the KyQHRA by submitting an application and paying the requisite annual dues to the KyQHRA for that year.

Section 3.2 Classification and Qualification of Associate Members. The KyQHRA shall have one class of Associate (non-voting) members. The board of directors shall determine the qualifications of one or more categories in this class. In all cases, Associate members, regardless of category, shall not be entitled to voting or other privileges of Regular members.

Section 3.3 Dues. The board of directors shall establish the level of annual dues for Regular members, and may also establish fees for initiation, delinquency, partial-year or other special assessments, and the rules and procedures for payment, and, when deemed appropriate, proration or refunds. The term of membership shall be from January 1 to December 31.

Section 3.4 Suspension and Termination of Membership. Any member who is deemed to have failed to act in the best interests of the organization or its goals may be suspended, with or without cause, by a majority vote of the KyQHRA board of directors, and, as a consequence, shall have no further member rights or privileges until reinstated by a majority vote of the KyQHRA board of directors. Suspension of, or other disciplinary action toward, a KyQHRA member by the American Quarter Horse Association (AQHA), the Appaloosa Horse Club (ApHC) or the American Paint Horse Association (APHA), or suspension, denial or revocation by the Kentucky Horse Racing Commission (KHRC), shall be reviewed by the KyQHRA board of directors, and may also result in KyQHRA suspension.

Section 3.5 Transfer of Membership. Membership in the KyQHRA is non-transferable. Members shall have no ownership rights or beneficial interests of any kind in the assets of the KyQHRA.

Section 3.6 Annual Meeting of Members. The policy-making body of the KyQHRA shall be composed of those Regular (voting) members who are present in person. The annual meeting of members shall normally be held during the first quarter of each calendar year at a time and place to be determined by the board of directors. The purposes of the meeting shall be the election of directors and the transaction of such other business as may come before the meeting. Failure to hold an annual meeting as required by the bylaws shall not work a forfeiture or dissolution of the KyQHRA or invalidate any action taken by the board of directors or officers of the KyQHRA.

Section 3.7 Special Meetings. Special meetings of the members, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the president or the board of directors. A vote of two-thirds of all directors will be required to approve such a meeting. A special meeting of the members for any purpose or purposes, unless otherwise prescribed by statute, shall be called by the president at the request of Regular members having at least one-fourth of the votes entitled to be cast at such meetings.

Section 3.8 Place of Meeting. Each meeting of the members shall be held at such place as may be designated in the notice of meeting, or, if no place is designated in the notice, at the business office of the KyQHRA in Kentucky.

Section 3.9 Notice of Meeting. Except as otherwise prescribed by statute, notice of each meeting of the members stating the place, day and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered to all Regular members not less than fifteen (15) nor more than fifty (50) days before the date of the meeting. Notice may be made either personally or by first class, certified, registered mail, or by overnight delivery, by telephonic, telegraphic, facsimile or e-mail notice (and the method of notice need not be the same as to each member), by or at the direction of the president, or the secretary, or the other officer or person calling the meeting, to each Regular member. If mailed, such notice shall be deemed delivered when deposited in the U.S.P.S. mail, addressed to each member at such member's address as it appears in the records of the KyQHRA, with postage thereon prepaid. Any member may waive notice of any meeting before, at or after such meeting. The attendance in person of a member at a meeting shall constitute a waiver of notice of such meeting, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

Section 3.10 Quorum. Except as otherwise required by the laws of Kentucky, the articles of incorporation, or these bylaws, the Regular members present shall constitute a quorum at each meeting of members, and the affirmative vote of a majority of those members represented at a meeting at which a quorum is present and entitled to vote on the subject matter shall be the act of the members; provided, however, that an affirmative vote of two-thirds of the Regular members represented at a meeting at which a quorum is present and entitled to vote thereon shall be required to adopt a plan of merger, consolidation or liquidation. The amendment or alteration of bylaws may be made only according to Section 8.8 of these bylaws.

Section 3.11 Voting.

(a) Each Regular member is entitled to one vote on each matter submitted to a vote of the members entitled to vote thereon pursuant to Section 3.1. Cumulative voting shall not be allowed.

(b) The presiding officer, or at least 10 Regular members present, shall have the right to require a roll-call confirmation of eligibility prior to the start of the meeting or at any point prior to voting.

(c) All votes on the election of directors or on issues of policy shall be by secret ballot. There shall be no votes by proxy.

Section 3.12 Action Without a Meeting. Any action required or permitted to be taken at a meeting of the members or of any committee thereof may be taken without a meeting if consent in writing, setting forth the action so taken, is signed by all members entitled to vote with respect to the subject matter thereof. Such consent (which may be signed in counterparts) shall have the same force and effect as a unanimous vote of the members entitled to vote thereon.

ARTICLE IV. BOARD OF DIRECTORS

Section 4.1 General Powers. The business and affairs of the KyQHRA shall be managed by its board of directors, except as otherwise provided in the Kentucky Nonprofit Corporation Act, the articles of incorporation, or these bylaws.

Section 4.2 Number of Directors. The number of directors of the KyQHRA shall be nine (9). Any action to increase or decrease the number of directors by either directors or members, and whether expressly by resolution or by implication through the election of additional directors, shall constitute an intent to amend the bylaws effecting such increase or decrease. Bylaws may be amended only pursuant to Section 8.8. Any directorship to be filled by reason of an increase in the number of directors shall be filled by an election at an annual or special meeting of the members. Such directors shall be elected and shall serve pursuant to Section 4.3.

Section 4.3 Election, Qualifications and Terms. At each annual meeting of members, the number of directors equal to the number of the class whose term expires at the time of such meeting shall be elected by the Regular members present to hold office for a three-year term. Only Regular members are eligible to serve as directors. Initially, the class (length) of director terms shall be staggered by lot. After serving two successive terms, regardless of duration, all

directors must sit out for at least one year before standing for re-election. No member shall be elected as a director for more than four (4) terms in total. Each director shall hold office until such director's term expires and thereafter until such director's successor shall have been elected and qualified, or until such director's earlier death, resignation or removal. Directors must be at least twenty-one (21) years old, and a resident of Kentucky. Any director who is absent from three (3) consecutive meetings of the board of directors without having notified the president or secretary, in advance, of such absence shall automatically be removed from the board of directors, and the vacancy created thereby shall be filled pursuant to Section 4.4.

Section 4.4 Resignations. A director may resign at any time by giving written notice to the president or secretary of the KyQHRA. Such resignation shall take effect at the time specified, and acceptance of a resignation shall not be necessary to make it effective. Any vacancy that occurs in the board of directors, except one created by an increase in the number of directors, may be filled by an affirmative vote of a majority of the remaining directors, even if less than a quorum. A director elected to fill a vacancy shall be elected for the unexpired term of such director's predecessor in office. Nominations shall be brought forward by the president.

Section 4.5 Vacancies. If the office of any director, member of a committee or other officer becomes vacant, the remaining directors in office, even if less than a quorum, may appoint by a majority vote any qualified person to fill such vacancy, and to hold office for the remainder of term and until his or her successor shall be duly chosen. Nominations shall be brought forward by the president.

Section 4.6 Removal. Any director or directors may be removed, with or without cause, at any time by the affirmative vote of two-thirds (2/3) of all Regular members at a special meeting of the members called for the purpose. The vacancies thus created may be filled at the meeting held for the purpose of removal by an affirmative vote of a majority of the members entitled to vote. Such removal shall be without prejudice to the contractual rights, if any, of the person so removed. The election or appointment of an officer or agent shall not in itself create contractual rights. Nominations shall be brought forward by the president.

Section 4.7 Regular Meetings. A regular meeting of the board of directors shall be held immediately after and at the same place as the annual meeting of the members, or as soon as practicable thereafter, at a time and place selected by the board, to elect officers and to transact such other business as may be required. The board of directors may provide by resolution the time and place for the holding of additional regular meetings. Unless stated or announced otherwise, all meetings of the board of directors shall be closed.

Section 4.8 Special Meetings. At the request of the president or of any two (2) directors, a special meeting of the board of directors may be called. The person or persons authorized to call such a special meeting of the board of directors may fix the place of the meeting.

Section 4.9 Notice of Meetings. A notice of each meeting of the board of directors, stating the place, day and hour of the meeting, shall be provided to each director at such director's preferred mailing address at least five (5) days prior by first class, certified or registered mail, or at least two (2) days prior by telephone, personal or overnight delivery of a written notice, or by electronic delivery (e-mail or fax), and the method of notice need not be the same as to each

director. If mailed or sent by overnight delivery, such notice shall be deemed to be given when deposited in the U.S.P.S. mail, with postage thereon prepaid, or accepted by the delivery firm. If transmitted by e-mail or fax, such notice shall be deemed to be given when the transmission is complete. Any director may waive notice of any meeting before, at or after such meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except or unless a director attends a meeting for the express purpose of objecting to the transaction of business because the meeting is not called or convened lawfully. Neither the specific business nor the purpose of a meeting of the board of directors need be specified in the notice or waiver of notice of such meeting unless otherwise required by statute.

Section 4.10 Presumption of Assent. Any director of the KyQHRA who is present at a meeting of the board of directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless such director's dissent shall be entered in the minutes of the meeting or unless such director shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the KyQHRA immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 4.11 Quorum and Voting. A majority of the directors shall constitute a quorum for transaction of business at any meeting of the board of directors, and the vote of a majority of the directors present in person at a meeting at which a quorum is present shall be considered an act of the board of directors. In the absence of a quorum, if all members of the executive committee are present, a meeting of that committee may be convened, and may act pursuant to Section 6.2. Alternatively, if a quorum of directors is not present at a meeting called expressly for the board, a majority of the directors present may adjourn the meeting without further notice other than an announcement at the meeting, until a quorum shall be present. At any adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally notified. No director may vote or act by proxy at any meeting of the board of directors.

Section 4.12 Compensation. Directors shall not receive compensation for their services as such, although the reasonable expenses of directors of attendance at board meetings may be paid or reimbursed by the KyQHRA. Directors shall not be disqualified to receive reasonable compensation for services rendered to or for the benefit of the KyQHRA in any other capacity.

Section 4.13 Meetings by Telephone. Members of the board of directors may take part in a meeting of the board or committee by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other at the same time. Such participation shall constitute presence in person at the meeting.

Section 4.14 Action Without a Meeting. Any action permitted to be taken at a meeting of the board of directors may be taken without a meeting if written consent setting forth the action so taken shall be signed by all current directors. E-mails and faxed signatures shall constitute compliance. Such a unanimous consent (which may be signed in counterparts) shall have the same force and effect as a majority vote of the directors at a meeting.

ARTICLE V. OFFICERS AND AGENTS

Section 5.1 Number and Qualifications. The elected officers of the KyQHRA shall be elected from among current directors and shall include a president, a vice-president, a secretary, and a treasurer. One person may not hold more than one office at a time, including secretary and treasurer. All officers must be at least twenty-one (21) years old.

Section 5.2 Election and Term of Office. The officers of the KyQHRA shall be elected by the board of directors annually at the first meeting of the board held after each annual meeting of the members. If the election of officers is not held at such meeting, such election shall be held as soon as convenient thereafter. Each officer shall hold office for one year or until such officer's successor shall have been duly elected and qualified, or until such officer's death, resignation or removal. No director shall serve more than three (3) one (1) year terms as President.

Section 5.3 Compensation. No elected KyQHRA officer shall receive compensation, except that officers may be reimbursed for reasonable expenses incurred directly on behalf of the KyQHRA.

Section 5.5 Vacancies. Any elected officer may resign at any time by giving written notice to the president or to the board of directors. An officer's resignation shall take effect at the time specified in such notice and the acceptance of such resignation shall not be necessary to make it effective. A vacancy in any office, however occurring, may be filled by the board of directors for the unexpired portion of the term.

Section 5.6 Authority and Duties of Officers. The officers of the KyQHRA shall have the authority, exercise the powers, and perform the duties specified below, and as may be additionally specified by the president, the board, or these bylaws, except that in any event each officer shall exercise such powers and perform such duties as may be required by law.

(a) President. The president shall, subject to direction and supervision of the board of directors: (i) preside at all meetings of the members and of the board of directors; (ii) have supervision of the officers of the KyQHRA; (iii) see that all orders and resolutions of the board of directors are carried into effect; and (iv) perform other duties incident to the office of president and as from time to time may be assigned to such office by the board of directors. The president shall serve as the executive officer of the KyQHRA, however, some or all of the standard functions of that role may be delegated by the board of directors to the executive director. The president shall interpret and enforce the articles of incorporation and bylaws of the KyQHRA, be responsible for proper execution of business related to the organization, and ensure that KyQHRA policy is adhered to insofar as possible at all times.

(b) Vice-President. The vice-president shall in the president's absence, or inability or refusal to act, perform the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions on, the president. The vice-president shall also perform all such duties as may be assigned by the president or the board of directors.

(c) Secretary. The secretary shall: (i) keep the minutes of proceedings of all official meetings of Regular members, of the board of directors, and of the executive committee; (ii) see that all

notices are given in accordance with these bylaws or as required by law; (iii) serve as custodian of the corporate records and the seal, if any, of the KYQHRA; (iv) maintain at the KyQHRA's office or other appropriate location a record of the names and addresses of all Regular members; and (v) in general, perform all duties incident to the office of secretary and such other duties as from time to time may be assigned by the president or by the board of directors.

(d) Treasurer. The treasurer shall: (i) be the principal financial officer of the KyQHRA and have care and custody of its funds, securities, evidences of indebtedness and other property, and shall deposit the same in accordance with instructions of the board of directors; (ii) receive and give receipts and quittances for funds paid on account of KyQHRA, and pay out of the funds on hand all bills, payrolls and other just debts of the KyQHRA of whatever nature upon maturity; (iii) unless there is a controller, be the principal accounting officer of the KyQHRA and as such prescribe and maintain the methods and systems of accounting to be followed, keep complete books and records of account, prepare and file all local, state and federal tax returns and related documents, prescribe and maintain an adequate system of internal audit, and prepare and furnish to the president and the board of directors statements of account showing the financial position of the KQHRA and the results of its operations; (iv) upon request of the board, make such reports to it as may be required at any time; and (v) perform all other duties incident to the office of treasurer and such other duties as from time to time may be assigned to such office by the president or the board of directors.

(e) Executive Director. The executive director shall be appointed by the board of directors and shall be subject to direction and supervision by the president. The executive director shall: (i) have general and ongoing involvement in the affairs and business of the KyQHRA; (ii) be chief administrator with responsibility for day-to-day operations, including the supervision of other employees of the KyQHRA; (iii) propose, prepare, and present programs and activities to further the KyQHRA's purposes to the president and board of directors; (iv) direct and supervise the implementation of programs and activities approved by the board of directors; and (v) perform all other duties and responsibilities as may be assigned from time to time by the president. The executive director may not be an officer or Regular member of the KyQHRA.

Section 5.7 Surety Bond. The board of directors may require the KyQHRA president and/or treasurer to execute a bond in such sums and with such sureties as shall be satisfactory to the board, conditioned upon faithful performance of such person's duties, and for restoration to the KyQHRA of all books, papers, vouchers, money and other property of whatever kind in such person's possession or control belonging to the KyQHRA.

ARTICLE VI. COMMITTEES AND ADVISORY BOARDS

Section 6.1 General. The president shall annually appoint such committees or advisory boards as are required by the bylaws, and such additional committees as may be deemed necessary. All such committee appointments shall be reported at the next meeting of the board of directors. No committee or advisory board shall have authority to incur any expenses or make any representation or commitment on behalf of the KyQHRA without express approval of the board of directors of the KyQHRA. The delegation of authority to any committee shall not relieve the board of directors or any member of the board from any responsibility imposed by law.

Section 6.2 Executive Committee. There shall be a five-person executive committee composed of the duly elected KyQHRA officers plus one (1) additional director elected by the board of directors. The president shall serve as the chair at all meetings of the executive committee. Mainly in the interest of convenience or expediency between meetings of the board of directors, when directed to act by the board of directors, or when a quorum of the board of directors is not present or possible, the executive committee may have and exercise all of the authority of the board of directors, except as prohibited by statute. Minutes of all meetings of the executive committee shall be duly reported in a timely manner to the board of directors.

Section 6.3 Finance Committee. The finance committee shall include and be chaired by the treasurer, and shall consist of not less than two (2) nor more than six (6) Regular members selected annually by the president and approved by the board of directors. The finance committee shall recommend to the board of directors appropriate accounting and bookkeeping procedures, review the financial statements, and oversee year-end tax preparations. Along with the president, the finance committee shall prepare an annual budget and submit the budget to the board of directors for approval.

Section 6.4 Nominating Committee. The nominating committee shall consist of least three (3) but no more than six (6) persons appointed annually no later than 60 days after the annual meeting. The committee shall nominate before the next annual meeting at least two candidates for each open position, and all current directors who are eligible for re-election may be on the ballot. Their charge is to nominate members who are committed to the KyQHRA and broadly representative of its membership. Nominations of directors from the floor will not be accepted. Supervision of the election, including the dissemination and tabulation of ballots, shall be the final responsibility of each current nominating committee.

Section 6.5 Other Committees. Additional committees may, from time to time, be formed by resolution adopted at any board meeting at which a quorum of directors is present. Standing committees are assumed to remain in force from year to year, although their members or chairs may be changed annually. Ad hoc committees are created for a single purpose, or to address a single issue, and are therefore automatically dissolved when their work is done. While not a requirement, it is recommended that committee chairs be current directors whenever possible. Committee chairs and members shall be appointed annually by the president.

Section 6.6 Advisory Boards. The board of directors may from time to time form one or more advisory boards. The name, objectives, and responsibilities of each such advisory board, and the rules and procedures for the conduct of its activities, shall be determined by the board of directors. No advisory board or member thereof shall have the authority to incur any expense or make any presentation or commitment on behalf of the KYQHRA without the express and prior approval of the board of directors.

ARTICLE VII. INDEMNIFICATION

Section 7.1 Definitions. For purposes of this Article, the following terms shall have the meanings set forth below:

(a) "KyQHRA" means the corporation and, in addition to the resulting or surviving corporation, any domestic or foreign predecessor entity of the corporation in a merger, consolidation or other transaction in which the predecessor's existence ceased upon consummation of the transaction.

(b) "Expenses" means the actual and reasonable expenses, including attorneys' fees, incurred by a party in connection with a proceeding.

(c) "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise tax assessed with respect to a private foundation or an employee benefit plan) or expense incurred with respect to a proceeding.

(d) "Official capacity" when used with respect to a director or officer of the KyQHRA means the office of a director in the KyQHRA, and when used with respect to a person in a capacity other than as a director (even if such person is also a director) means the office in the KyQHRA held by the officer or the employment relationship undertaken by the employee on behalf of the KyQHRA in the performance of his or her duties in his or her capacity as such officer or employee. "Official capacity" does not include service for another corporation or for any partnership, joint venture, trust, other enterprise or employee benefit plan when acting directly on behalf of such other corporation, partnership, joint venture, trust, enterprise or plan as a director, officer, employee, fiduciary or agent thereof.

(e) "Party" means any person who was, is, or is threatened to be made, a named defendant or respondent in a proceeding by reason of the fact that such person is or was a director, officer or employee of the KyQHRA, and any person who, while a director, officer or employee of the KyQHRA, is or was serving at the request of the KyQHRA as director, officer, partner, trustee, employee, fiduciary or agent of any othercorporation or of any partnership, joint venture, trust, other enterprise or employee benefit plan. A party shall be considered to be serving an employee benefit plan at the KyQHRA's request if such party's duties to the KyQHRA also impose duties on or otherwise involve services by such party to the plan or to participants in or beneficiaries of the plan.

(f) "Proceeding" means any threatened, pending or completed action, suit or proceeding, or any appeal therein, whether civil, criminal, administrative, arbitrative or investigative (including an action by or in the right of the KyQHRA) and whether formal or informal.

Section 7.2 Right to Indemnification.

(a) Standards of Conduct. Except as provided in Section 7.2(d) below, the KyQHRA shall indemnify any party to a proceeding against liability incurred in or as a result of the proceeding if (i) such party conducted himself or herself in good faith, (ii) such party reasonably believed (A) in the case of a director acting in his or her official capacity, that his or her conduct was in the KyQHRA's best interests, or (B) in all other cases, that such party's conduct was at least not

opposed to the KyQHRA's best interests, and (iii) in the case of any criminal proceeding, such party had no reasonable cause to believe his or her conduct was unlawful. For purposes of determining the applicable standard of conduct under this Section 7.2, any party acting in his or her official capacity who is also a director of the KyQHRA shall be held to the standard of conduct set forth in Section 7.2(a)(ii)(A), even if such party is sued solely in a capacity other than as such director.

(b) Employee Benefit Plans. A party's conduct with respect to an employee benefit plan for a purpose such party reasonably believed to be in the interests of the participants in or beneficiaries of the plan is conduct that satisfies the requirements of Section 7.2(a)(ii)(B). A party's conduct with respect to an employee benefit plan for a purpose that such party did not reasonably believe to be in the interests of the participants in or beneficiaries of the plan shall be deemed not to satisfy the requirements of Section 7.2(a)(i).

(c) Settlement. The termination of any proceeding by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, is not of itself determinative that the party did not meet the applicable standard of conduct set forth in Section 7.2(a).

(d) Indemnification Prohibited. Except as hereinafter set forth in this Section 7.2(d), the KyQHRA may not indemnify a party under this Section 7.2 either (i) in connection with a proceeding by or in the right of the KyQHRA in which the party is or has been adjudged liable for gross negligence or willful misconduct in the performance of the party's duty to the KyQHRA, or (ii) in connection with any proceeding charging improper personal benefit to the party, whether or not involving action in the party's official capacity, in which the party was adjudged liable on the basis that personal benefit was improperly received by the party (even if the KyQHRA was not thereby damaged). Notwithstanding the foregoing, the KyQHRA shall indemnify any such party if and to the extent required by the court conducting the proceeding, or any other court of competent jurisdiction to which the party has applied, if it is determined by such court, upon application by the party, that despite the adjudication of liability in the circumstances in clauses (i) and (ii) of this Section 7.2(d) or whether or not the party met the applicable standard of conduct set forth in Section 7.2(a), and in view of all relevant circumstances, the party is fairly and reasonably entitled to indemnification for such expenses as the court deems proper in accordance with the Kentucky Nonprofit Corporation Code.

(e) Claims by or in the Right of KyQHRA. Indemnification permitted under this Section 7.2 in connection with a proceeding by or in the right of the KyQHRA shall be limited to expenses incurred in connection with the proceeding.

(f) Combined Proceedings. If any claim made by or in the right of the KyQHRA against a party is joined with any other claim against such party in a single proceeding, the claim by or in the right of the KyQHRA (and all expenses related thereto) shall nevertheless be deemed the subject of a separate and distinct proceeding for purposes of this Article.

Section 7.3 Prior Authorization Required. Any indemnification under Section 7.2 (unless ordered by a court) shall be made by the KyQHRA only if authorized in the specific case after a determination has been made that the party is eligible for indemnification in the circumstances because the party has met the applicable standard of conduct set forth in Section 7.2(a) and after

an evaluation has been made as to the reasonableness of the expenses. Any such determination, evaluation and authorization shall be made by the board of directors by a majority vote of a quorum of such board, which quorum shall consist of directors not parties to the subject proceeding, or by such other person or body as permitted by law.

Section 7.4 Success on Merits or Otherwise. Notwithstanding any other provision of this Article, the KyQHRA shall indemnify a party to the extent such party has been successful, on the merits or otherwise, including without limitation, dismissal without prejudice or settlement without admission of liability, in defense of any proceeding to which the party was a party against expenses incurred by such party in connection therewith.

Section 7.5 Advancement of Expenses. The KyQHRA shall pay for or reimburse the expenses, or a portion thereof, incurred by a party in advance of the final disposition of the proceeding if: (a) the party furnishes the KyQHRA a written affirmation of such party's good-faith belief that he or she has met the standard of conduct described in Section 7.2(a)(i); (b) the party furnishes the KyQHRA a written undertaking, executed personally or on behalf of such party, to repay the advance if it is ultimately determined that the party did not meet such standard of conduct; and (c) authorization of payment and a determination that the facts then known to those making the determination would not preclude indemnification under this Article have been made in the manner provided in Section 7.3. The undertaking required by clause (b) must be an unlimited general obligation of the party, but need not be secured and may be accepted without reference to financial ability to make repayment.

Section 7.6 Payment Procedures. The KyQHRA shall promptly act upon any request for indemnification, which request must be in writing and accompanied by the order of court or other reasonably satisfactory evidence documenting disposition of the proceeding in the case of indemnification under Section 7.4 and by the written affirmation and undertaking to repay as required by Section 7.5 in the case of indemnification under such Section. The right to indemnification and advances granted by this Article shall be enforceable in any court of competent jurisdiction if the KyQHRA denies the claim, in whole or in part, or if no disposition of such claim is made within ninety days after written request for indemnification is made. A party's expenses incurred in connection with successfully establishing such party's right to indemnification, in whole or in part, in any such proceeding shall also be paid by the KyQHRA.

Section 7.7 Notification to Members. Any indemnification of or advance of expenses to a director (but not to any other party) in accordance with this Article, if arising out of a proceeding by or on behalf of the KyQHRA, shall be reported in writing to the members with or before the notice of the next meeting of members.

Section 7.8 Insurance. By action of the board of directors, notwithstanding any interest of the directors in such action, the KyQHRA may purchase and maintain insurance in such amounts as the board of directors deems appropriate to protect itself and any person who is or was a director, officer, employee, fiduciary or agent of the KyQHRA, or who, while a director, officer, employee, fiduciary or agent of the KyQHRA, is or was serving at the request of the KyQHRA as a director, officer, partner, trustee, employee, fiduciary or agent of any other foreign or domestic corporaton, or of any partnership, joint venture, trust, other enterprise or employee benefit plan against any liability asserted against or incurred by such person in any such capacity or arising

out of such person's status as such, whether or not the KyQHRA would have the power to indemnify such person against such liability under applicable provisions of law or this Article. Any such insurance may be procured from any insurance company designated by the board of directors, whether such insurance company is formed under the laws of Kentucky or any other jurisdiction, including any insurance company in which the KyQHRA has an equity or any other interest, through stock ownership or otherwise. The KyQHRA may create a trust fund, grant a security interest or use other means (including, without limitation, a letter of credit) to ensure the payment of such sums as may become necessary to effect indemnification as provided herein.

Section 7.9 Right to Impose Conditions to Indemnification. The KyQHRA shall have the right to impose, as conditions to any indemnification provided or permitted in this Article, such reasonable requirements and conditions as may appear appropriate to the board of directors in each specific case and circumstances, including but not limited to any one or more of the following: (a) that any counsel representing the party to be indemnified in connection with the defense or settlement of any proceeding shall be counsel mutually agreeable to the party and to the KyQHRA; (b) that the KyQHRA shall have the right, at its option, to assume and control the defense or settlement of any claim or proceeding made, initiated or threatened against the party to be indemnified; and (c) that the KyQHRA shall be subrogated, to the extent of any payments made by way of indemnification, to all of the indemnified party's right of recovery, and that the party to be indemnified shall execute all writings and do everything necessary to assure such rights of subrogation to the KyQHRA.

Section 7.10 Other Rights and Remedies. The indemnification provided by this Article shall be in addition to any other rights which a party may have or hereafter acquire under any law, provision of the articles of incorporation, any other or further provision of these bylaws, any vote of the members or board of directors, any agreement, or otherwise.

Section 7.11 Applicability; Effect. The indemnification provided in this Article shall be applicable to acts or omissions that occurred prior to the adoption of this Article, shall continue as to any party entitled to indemnification under this Article who has ceased to be a director, officer or employee of the KyQHRA or, at the request of the KyQHRA, was serving as and has since ceased to be a director, officer, partner, trustee, employee, fiduciary or agent of any other domestic or foreign corporation, or of any partnership, joint venture, trust, other enterprise or employee benefit plan, and shall inure to the benefit of the estate and personal representatives of each such person. The repeal or amendment of this Article or of any Section or provision hereof that would have the effect of limiting, qualifying or restricting any of the powers or rights of indemnification provided or permitted in this Article shall not, solely by reason of such repeal or amendment, eliminate, restrict or otherwise affect the right or power of the KyQHRA to indemnify any person, or affect any right of indemnification of such person, with respect to any acts or omissions that occurred prior to such repeal or amendment. All rights to indemnification under this Article shall be deemed to be provided by a contract between the KyQHRA and each party covered hereby.

Section 7.12 Indemnification of Agents. The KyQHRA shall have the right, but shall not be obligated, to indemnify any agent of the KyQHRA not otherwise covered by this Article to the fullest extent permissible by the laws of Kentucky. Unless otherwise provided in any separate

indemnification arrangement, any such indemnification shall be made only as authorized in the specific case in the manner provided in Section 7.3.

Section 7.13 Savings Clause; Limitation. If this Article or any Section or provision hereof shall be invalidated by any court on any ground, then the KyQHRA shall nevertheless indemnify each party otherwise entitled to indemnification hereunder to the fullest extent permitted by law or any applicable provision of this Article that shall not have been invalidated. Notwithstanding any other provision of these bylaws, the KyQHRA shall neither indemnify any person nor purchase any insurance in any manner or to any extent that would jeopardize or be inconsistent with the qualification of the KyQHRA as an organization described in section 501(c)(6) of the Internal Revenue Code. Code.

ARTICLE VIII. MISCELLANEOUS

Section 8.1 Account Books, Minutes, Etc The KyQHRA shall keep correct and complete books and records of account and shall keep minutes of the proceedings of its members and board of directors. All books and records of the KyQHRA may be inspected by any Regular member, or such person's authorized agent or attorney, for any proper purpose at any reasonable time.

Section 8.2 Fiscal Year. The fiscal year of the KyQHRA shall be as established by the board of directors.

Section 8.3 Conveyances and Encumbrances. The property of the KyQHRA may be assigned, conveyed or encumbered by such officers of the KyQHRA as may be authorized to do so by the board of directors, and such authorized persons shall have power to execute and deliver any and all instruments of assignment, conveyance and encumbrance; however, the sale, exchange, lease or other disposition of all or substantially all of the property and assets of the KyQHRA shall be authorized only in the manner prescribed by applicable statute.

Section 8.4 Designated Contributions. The KyQHRA may accept any designated contribution, grant, and bequest or devise consistent with its general tax-exempt purposes, as set forth in the articles of incorporation. As so limited, donor-designated contributions will be accepted for special funds, purposes or uses, and such designations generally will be honored. However, the KyQHRA shall reserve all right, title and interest in and to and control of such contributions, as well as full discretion as to the ultimate expenditure or distribution thereof in connection with any such special fund, purpose or use. Further, the KyQHRA shall acquire and retain sufficient control over all donated funds (including designated contributions) to assure that such funds will be used to carry out the KyQHRA's tax-exempt purposes.

Section 8.5 Conflicts of Interest. If any person who is a director or officer of the KyQHRA is aware that the KyQHRA is about to enter into any business transaction directly or indirectly with such person, any member of such person's family, or any entity in which such person has any legal, equitable or fiduciary interest or position, including without limitation as a director, officer, shareholder, partner, beneficiary or trustee, such person shall: (a) immediately inform those charged with approving the transaction on behalf of the KyQHRA of such person's interest or position; (b) aid the persons charged with making the decision by disclosing any material facts

within such person's knowledge that bear on the advisability of such transaction from the standpoint of the KyQHRA; and (c) not be entitled to vote on the decision to enter into such transaction.

Section 8.6 Loans to Directors and Officers Prohibited. No loans shall be made by the KyQHRA to any of its directors or officers. Any director or officer who assents to or participates in the making of any such loan shall be liable to the KyQHRA for the amount of such loan until it is repaid.

Section 8.7 References to Internal Revenue Code. All references in these bylaws to provisions of the Internal Revenue Code are to the provisions of the Internal Revenue Code of 1986, as amended, and to the corresponding provisions of any subsequent federal tax laws.

Section 8.8 Amendments. The power to alter, amend or repeal these bylaws and adopt new bylaws shall be vested in the Regular members, provided, however, that no change to these bylaws shall be valid unless such change is adopted by a recorded and board-verified vote of at least two-thirds (2/3) of all current Regular members.

Section 8.9 Severability. The invalidity of any provision of these bylaws shall not affect the other provisions hereof, and in such event these bylaws shall be construed in all respects as if such invalid provision were omitted.

Section 8.10 No Private Inurement. The assets of the KyQHRA shall be used in furtherance of the goals and purposes of the KyQHRA only, and for related expenses, and shall not be used for the private inurement of any individual. Payments may be made to individuals, provided that such payments are determined by the board of directors to be in furtherance of the goals and purposes of the KyQHRA.

(END)