



TOC

Thoroughbred Owners of California

Forging the Future

THOROUGHBRED OWNERS OF CALIFORNIA

BYLAWS

ADOPTED JANUARY 1, 2007

BYLAWS
OF
THOROUGHBRED OWNERS OF CALIFORNIA
(A California Non-Profit Mutual Benefit Corporation)

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BYLAWS
OF
THOROUGHBRED OWNERS OF CALIFORNIA
(A California Non-Profit Mutual Benefit Corporation)

ARTICLE I. OFFICES

Section 1.01 Principal Office. The principal office of the Corporation for its transaction of business is located at 285 W. Huntington Drive, Arcadia, County of Los Angeles, California 91007. The Board of Directors is hereby granted full power and authority to change the principal office of the Corporation from one location to another in California. Any such change shall be noted by the Secretary in these Bylaws, but shall not be considered an amendment of these Bylaws.

Section 1.02 Branch Offices. The Board of Directors may establish branch offices of the Corporation in any locations within the State of California as the Board deems in the best interests of the Corporation.

ARTICLE II. MEMBERS

Section 2.01 Classification of Members. The Corporation shall have an “Owner” class and an “Owner-Trainer” class of members. Each member shall have voting rights as specified in these Bylaws. No person shall hold more than one membership in the Corporation.

Section 2.02 Voting Rights of Members. Members shall have the right to vote, as set forth in these Bylaws, on (i) the election of directors, (ii) the disposition of all or substantially all of the assets of the Corporation, (iii) any merger and its principal terms and any amendment of those terms, and (iv) any election to dissolve the Corporation. In addition, members shall have all rights afforded members under the California Nonprofit Mutual Benefit Corporation Law.

Section 2.03 Eligibility for Membership. Any person, as defined in Section 5065 of the California *Corporations code*, currently licensed by the California Horse Racing Board (“CHRB”) as an owner of a thoroughbred race horse is eligible to be a member of the Corporation, except that in the case of a natural person, such person shall have attained the age of eighteen.

Section 2.04 Qualification of Members. Any person eligible for membership under these Bylaws is qualified for membership only after such a person has satisfied all of the following qualifications:

- (a) The person holds a valid CHRB thoroughbred racehorse owner’s license;
- (b) The person does not hold any other kind of valid CHRB license, except a trainer’s license: trainers and/or their spouses licensed by the CHRB as owners shall be qualified for membership in a category of TOC membership designated the “Trainer-Owner” category until January 1, 2009, and other than the rights specified

with respect to the election of directors, shall have the same voting and other rights as all other TOC members.

Section 2.05 Number of Members. There shall be no limit on the number of members the Corporation may admit.

Section 2.06 Transferability of Membership. Neither the membership of the Corporation nor any rights in the membership may be transferred or assigned for value or otherwise.

Section 2.07 Membership Book. The Corporation shall keep in written form a membership book containing the name and address of each member. The book shall also contain information relating to the termination of memberships, including the date on which such memberships ceased. Such book shall be kept at the principal office of the Corporation and shall be subject to the rights of inspection required by law and set forth in Section 2.08 of these Bylaws.

Section 2.08 Inspection Rights of Members.

(a) Demand. Subject to the Corporation's rights to set aside a demand for inspection pursuant to Section 8330 of the California *Corporations Code* and the power of the court to limit inspection rights pursuant to Section 8332 of the California *Corporations Code*, and unless the Corporation provides a reasonable alternative as permitted by Section 2.08(c) of these Bylaws, a member satisfying the qualifications set forth hereinafter may (i) inspect and copy the record of all the members' names and addresses, at reasonable times, on five (5) business days prior written demand on the Corporation, which demand shall state the purpose for which the inspection rights are requested; or (ii) obtain from the Secretary of the Corporation, on written demand, which demand shall state the purpose for which the list is requested and tender of a reasonable charge, a list of the names and addresses of those members entitled to vote for the election of directors, as of the most recent record date for which it has been compiled or as of the date of demand. Any membership list requested pursuant to clause (ii) shall be available on or before the later of ten (10) business days after the demand is received or after the date specified therein as the date as of which the list is to be compiled.

(b) Members Permitted to Exercise Rights of Inspection. The rights of inspection set forth in Section 2.08(a) of these Bylaws may be exercised by (i) any member, for a purpose reasonably related to such person's interest as a member, or (ii) the authorized number of members for a purpose reasonably related to the members' interest as members.

(c) Alternative Method of Achieving Purpose. The Corporation may, within ten (10) business days after receiving a demand pursuant to Section 2.08(a) of these Bylaws, deliver to the person or persons making the demand a written offer of an alternative method of achieving the purpose identified in said demand without providing access to or a copy of the membership list. An alternative method which reasonably and in a timely manner accomplishes the proper purpose set forth in a demand made pursuant to Section 2.08(a) of these Bylaws shall be deemed reasonable, unless within a reasonable time after acceptance of the offer, the Corporation fails to do those things which if offered to do. Any rejection of the offer shall be in writing and shall indicate the

reasons the alternative proposed by the Corporation does not meet the proper purpose of the demand made pursuant to Section 2.08(a) of these Bylaws.

Section 2.09 Non-Liability of Members. A member of the Corporation shall not solely, because of such membership, be personally liable for the debts, obligations or liabilities of the Corporation.

Section 2.10 Termination of Membership.

(a) Causes. The membership and all rights of membership shall automatically terminate on the occurrence of any of the following causes: (i) the voluntary resignation of a member; (ii) the expiration of a membership which, pursuant to its terms, is limited to a specific period; (iii) the death of a member; (iv) the dissolution of a corporate member; (v) the occurrence of any event which would cause a member to be ineligible for membership pursuant to Section 2.04 of these Bylaws; or (vi) the expulsion of a member based on the good faith determination of the Board of Directors, or a committee or person authorized by the Board to make such a determination, that the member has failed in a material degree to observe the rules of conduct of the Corporation or has engaged in conduct materially prejudicial to the purposes and interests of the Corporation.

(b) Procedures for Termination. If grounds appear to exist for expulsion pursuant to Section 2.10(a)(vi) of these Bylaws, the Corporation shall give the applicable member notice and a timely opportunity to be heard on the matter of the termination. The notice shall be given personally to such member or sent by first-class mail to the last address of such member as shown on the records of the Corporation. The opportunity to be heard may, at the election of such member, be oral or in writing and shall occur not less than five (5) days before the effective date of the termination. The hearing shall be conducted at a place to be determined by the Board of Directors by a committee composed of the President, Vice President and Secretary, presided over by the President of the Corporation who shall (i) read the charges against the subject member; (ii) require that the charges be verified by the testimony of the person or persons making them; (iii) hear any other witnesses against the subject member; (iv) allow the subject member to cross-examine each witness following the testimony of that witness; (v) allow the subject member to make a statement in his or her own behalf; (vi) allow the subject member to call witnesses in his or her own behalf; and (vii) allow the members of the committee conducting the hearing to question the witnesses after they have been questioned by the subject member. The committee conducting the hearing shall conduct the hearing in good faith and in a fair and reasonable manner. The committee shall have the exclusive power and authority to decide that the proposed termination not take place and such decision shall be final. Any action challenging an expulsion or termination of a membership, including a claim alleging defective notice, must be commenced within one year of the date of such expulsion or termination.

(c) Effect of Termination. All rights of a member in the Corporation and in its property shall cease on the termination of such member's membership. Termination shall not relieve the member from any obligation for charges incurred, services or benefits actually rendered, dues or fees arising from contract or otherwise. The Corporation shall retain the right to enforce any such obligation or obtain damages for its breach.

ARTICLE III. MEETING OF MEMBERS

Section 3.01 Place. Meetings of members shall be held at such locations within the State of California as may be designated from time to time by resolution of the Board of Directors.

Section 3.02 Annual Meetings. The Annual Meetings of members shall be held on such date, at such time and at such location as the Board of Directors shall designate. At the Annual Meetings, any proper business may be conducted. One (1) Annual Meeting shall take place in Southern California and one (1) Annual Meeting shall take place in Northern California.

Section 3.03 Special Meetings. Special meetings of members shall be called by the Board of Directors, the Chairperson of the Board or five percent (5%) or more of the members of the Corporation. Such meetings shall be held at such times and places within the State of California as may be ordered by resolution of the Board of Directors.

Section 3.04 Notice of Meetings. Written notice of every meeting of members shall be given by mail or other means of written communication not less than twenty (20) days before the date of the meeting to each member who on the record date for notice of the meeting is entitled to vote thereat. The notice shall be addressed to the member at the address of such member appearing on the books of the Corporation or at the address given by the member to the Corporation for the purpose of notice. Where no such address appears or is given, notice shall be given at the principal office of the Corporation. The Secretary of the Corporation, or any transfer agent specially designated by the Secretary for the purpose herein mentioned, shall execute an affidavit of the giving of the notice of the meeting of members. In the case of a specially called meeting of members, notice that a meeting will be held at a time requested by the person or persons calling the meeting not less than thirty-five (35) days nor more than ninety (90) days after receipt of the written request from such person or persons by the Chairperson of the Board of Directors of the Corporation shall be sent to the members forthwith and in any event within twenty (20) days after the request was received. No meeting of members may be adjourned more than forty-five (45) days. If a meeting is adjourned to another time or place, and thereafter a new record date is fixed for notice or voting, a notice of the adjourned meeting shall be given to each member of record who, on the record date for notice of the meeting, is entitled to vote at the meeting.

Section 3.05 Contents of Notice. The notice shall state the place, date and time of the meeting and, (i) in the case of a special meeting, the general nature of the business to be transacted and no other business may be transacted and, (ii) in the case of a regular meeting, those matters which the Board of Directors at the time the notice is given, intends to present for action by the members and, subject to the California *Corporations Code*, any other proper matter may be presented for action at the meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the members.

Section 3.06 Waivers, Consent and Approvals. The transactions of any meeting of members, however called and noticed, and wherever held, shall be as valid as though a meeting had been duly held after regular call and notice, if a quorum is present in person, and if, either before or after the meeting, each of the persons entitled to vote but not present in person signs a written

waiver of notice, a consent to the holding of the meeting or an approval of the minutes of the meeting. All such waivers, consents and approvals shall be filed with the corporate records.

Section 3.07 Quorum. A quorum of any meeting of members shall consist of the lesser of nine hundred (900) or thirty-three and one-third percent (33 1/3%) of the members.

Section 3.08 Loss of Quorum. The members present at a duly called or held meeting at which a quorum is present may continue to transact business until adjournment notwithstanding the withdrawal of enough members to leave less than a quorum, if such action taken, other than adjournment, is approved by at least a majority of members required to constitute a quorum.

Section 3.09 Adjournment for Lack of Quorum. In the absence of a quorum, any meeting of members may be adjourned from time to time by the vote of a majority of the votes represented in person or by proxy but no other business may be transacted except as provided in Section 3.08 of these Bylaws.

Section 3.10 Voting of Membership.

(a) One Vote Per Member. Each member in good standing is entitled to one vote on each matter submitted to a vote of the members.

(b) Record Date of Membership. The record date for the purpose of determining the members entitled to notice of any meeting of members is forty (40) days before the date of the meeting of members. The record date for the purpose of determining the members entitled to vote at any meeting of members is thirty (30) days before the date of the meeting of members.

(c) Cumulative Voting. Cumulative voting shall not be permitted for the election of directors or for any other purpose.

(d) Proxy Voting. Members entitled to vote shall not be permitted to vote or act by proxy.

Section 3.11 Action Without Meeting by Written Ballot.

(a) Ballot Requirements. Subject to the limitations specified in Section 3.11(b) of these Bylaws, any action which may be taken at any meeting of members may be taken without a meeting. If an action is taken without a meeting, the Corporation shall distribute a written ballot to every member entitled to vote on the matter. The ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the Corporation. Approval by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(b) Solicitation of Ballots. Ballots shall be solicited in a manner consistent with the requirements of giving notice of members' meetings set forth in Section 3.04 of these Bylaws and

of voting by written ballot set forth in Section 3.11(c) of these Bylaws. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation shall specify the time by which the ballot must be received in order to be counted.

(c) Voting By Written Ballot. The form of written ballots distributed to ten (10) or more members shall afford an opportunity on the form of written ballot to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot is distributed, to be acted on by such written ballot. The form shall also provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter the vote must be cast in accordance therewith. In any election of directors, any form of written ballot in which the directors to be voted on are named therein as candidates and which is marked by a member “withhold” or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld shall not be voted either for or against the election of a director.

(d) Revocation of Ballot. Unless otherwise provided in the Articles of Incorporation of the Corporation or these Bylaws, a written ballot may not be revoked.

Section 3.12 Conduct of Meetings.

(a) Chairperson. The Chairman of the Board of the Corporation or, in his or her absence, (in descending order) the President, the Secretary or any other person chosen by a majority of the members present in person shall be Chairperson of the meeting and shall preside over the meetings of the members.

(b) Secretary of Meetings. The Secretary of the Corporation shall act as the secretary of all meetings of members; provided that in his or her absence, the Chairperson of the meetings of members shall appoint another person to act as secretary of the meeting.

(c) Rules of Order. The Robert’s Rules of Order, as amended from time to time, shall govern the meetings of members insofar as those rules are not inconsistent with or in conflict with these Bylaws and the Articles of Incorporation of this Corporation.

Section 3.13 Inspectors of Election.

(a) Appointment. In advance of any meeting of the members or any action by written ballot, the Board may appoint any persons, other than candidates for office, as inspectors of election. If inspectors of election are not so appointed for any meeting, or if any person so appointed for any meeting, or if any person so appointed fails to appear or refuses to act, the Chairperson of the meeting may, and on request of any member must, appoint inspectors of election at the meeting. If inspectors of election are not so appointed for any action by written ballot, or if any person so appointed refuses to act, the President of the Corporation must appoint inspectors of election for that written ballot upon request of any member. The number of inspectors shall be either one (1) or three (3). If appointed at a meeting on the request of one or more members, the majority of

members represented in person shall determine whether one (1) or three (3) inspectors are to be appointed.

(b) Duties. The inspectors of election shall (i) determine the number of voting membership outstanding, and when applicable, the number represented at the meeting, and the existence of a quorum; (ii) receive votes; (iii) hear and determine all challenges and questions in any way arising in connection with the right to vote; (iv) count and tabulate all votes and consents; (v) determine when the polls shall close; (vi) determine the results, and (vii) vote with fairness to all members. The inspectors shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical.

(c) Vote of Inspectors. If there are three (3) inspectors of election, the decision, act or certificate of a majority is effective in all respects as the decision, act or certificate of all.

(d) Report and Certificate. On request of the Chairperson of the meeting or any member, the inspectors of election shall make a report in writing concerning the performance of their duties and execute a certificate of any fact found by them. Any report or certificate made by the inspectors shall be prima facie evidence of the facts stated therein.

ARTICLE IV. DIRECTORS

Section 4.01 Number. The Corporation shall have not more than fifteen (15) Directors who shall have either been elected by the members pursuant to Section 4.06 of these bylaws, or appointed by the Board to fill vacancies on the Board pursuant to Section 4.12 of these Bylaws. Twelve (12) of the fifteen (15) Directors shall represent the “owner” class of members, and three (3) Directors shall represent the membership class including “owner-trainer” and their licensed spouses. The Board may appoint the President of the Corporation to serve as a Board Director to fill a vacancy in the Owner category, regardless of whether he or she meets the qualifications for Board membership specified in Section 4.03 of these Bylaws.

Section 4.02 Powers of Directors. Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations in the Articles of Incorporation and Bylaws regarding actions that require the approval of the members, the Corporation’s activities and affairs shall be managed, and all corporate power shall be exercised, by or under the Board of Directors’ direction. Without limiting the general powers set forth in the previous sentence, but subject to the same limitations, the directors shall have the power to:

(a) appoint and remove, at the pleasure of the Board, all the Corporation’s officers, agents, and employees; prescribe powers and duties for them that are consistent with the law, the Articles of Incorporation, and these Bylaws; and fix their compensation, if any, and require from them security for faithful performance of their duties.

(b) cause the Corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities within California and designate any place within California for holding any meeting of members; and

(c) borrow money and incur indebtedness on behalf of the Corporation and cause to be executed and delivered for the Corporation's purposes, in the Corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecation, and other evidence of debt and securities.

Section 4.03 Qualifications.

(a) Candidates to serve as a Director, or those appointed to serve as a Director, as either an "Owner" or "Owner-Trainer" representative, must:

- (i) Be members of the Corporation;
- (ii) Own at least twenty-five percent (25%) of a thoroughbred race horse;
- (iii) Have started a horse or horses a minimum of six (6) times in California during the preceding calendar year; and,
- (iv) Be a member in good standing.

(b) For those candidates or appointees who are to serve as representatives of either Northern California "Owner" or "Owner-Trainer" members, in addition to the qualifications set forth in section 4.03(a), the individual must:

- (i) Reside in the Northern Zone as defined in Section 4.06 (a); and,
- (ii) Have started a horse or horses a minimum of six (6) times in the Northern Zone during the preceding calendar year.

(c) Candidates to serve as a Director or those appointed to serve as a Director, shall be members in "good standing." A member shall be considered to be in "good standing" if he or she has not:

- (i) Had an adversely adjudicated financial complaint entered against him or her by the CHRB in the previous five (5) calendar years;
- (ii) Been suspended by a horse racing regulatory body in any state in the previous three (3) calendar years;
- (iii) Negotiated two or more check(s) drawn on an account with insufficient funds with a racing association or paymaster's office in the previous five (5) calendar years, other than those so drawn on account of an error by an individual or entity other than member;
- (iv) Had a final adverse decision entered by a court in any civil litigation in which the member was found to have engaged in unethical or illegal business practices relating to the purchase, sale, or lease of a Thoroughbred;
- (v) Engaged in activities contrary to the TOC Code Of Ethics;
- (vi) Acted in violation of CHRB Rule 2041;

(vii) Been convicted of a felony or other criminal offense of moral turpitude; and/or,

(viii) Engaged in any other behavior or actions deemed by a two-thirds majority of the TOC Board of Directors to be inconsistent with the best interests of racing.

(d) Without the Board's approval, no Board member or candidate may lend TOC's name to any other entity or enterprise, and Board members are expected to take appropriate steps to end any unauthorized use of TOC's name, whether used on their behalf or otherwise.

(e) Without prior approval, TOC Board members may not serve on the board of or as an officer or employee of any entity conducting wagering on horse racing.

Section 4.04 Term of Office. Except as stated herein,

(a) Each "Owner" Director shall hold office for a term of three (3) years from the date of such director's election or until such director's successor is elected and qualified. Subject to the provisions relating to Northern California Directors (Section 4.06), "Owner" Board Members elected to terms beginning July 1, 2000 shall serve staggered terms of one, two, or three years. Those four (4) receiving the highest number of votes shall serve a three-year term. The four (4) elected receiving the next highest number of votes shall serve a two-year term. Those four (4) who are elected receiving the smallest number of votes shall serve a one-year term. Thereafter, elections shall be held every year for the four positions opening up by virtue of the provisions of this section and Section 4.06. All those elected to terms beginning July 1, 2001 and thereafter shall serve three-year terms, except those elected to fill unexpired terms.

(b) Each "Owner-Trainer" Director shall hold office for a term of three (3) years from the date of such director's election or until such director's successor is elected and qualified. Subject to the provisions relating to Northern California Directors (Section 4.06), "Owner-Trainer" Board Members elected to terms beginning July 1, 2007 shall serve staggered terms of one, two, or three years. The candidate elected receiving the highest number of votes shall serve a three-year term. The candidate elected receiving the next highest number of votes shall serve a two-year term. The candidate elected receiving the smallest number of votes shall serve a one-year term. Thereafter, elections shall be held every year for the one position opening up by virtue of the provisions of this section and Section 4.06. All those elected to terms beginning July 1, 2008 and thereafter shall serve three-year terms, except those elected to fill unexpired terms.

Section 4.05 Nomination. Any person qualified to be a director under Section 4.03 of these Bylaws may be nominated by the method of nomination authorized by the Board or by any other method authorized by law.

Section 4.06 Election.

(a) The "Owner" Directors shall be elected by written ballot as authorized by Section 3.11 of these Bylaws. The candidates receiving the highest number of votes shall be elected, with the

exception that at least three (3) Northern California Directors must serve on the Board at any given time.

(b) The “Owner-Trainer” Directors shall be elected by written ballot as authorized by Section 3.11 of these Bylaws. The “Owner-Trainer” candidates receiving the highest number of votes are elected, with the exception that no fewer than one of the three “Owner-Trainer” Directors must be from Northern California and no fewer than one of the three “Owner-Trainer” Directors must be from Southern California at any given time. If after taking the vote count, no Northern California or Southern California “Owner-Trainer” is elected, the Northern California or Southern California “Owner-Trainer” with the highest vote count shall be deemed elected over the candidate receiving the least number of votes who otherwise would have been elected.

(c) All qualified members, regardless of membership class as defined in Section 2.01 of these Bylaws, shall have the right to vote for “Owner” and “Owner-Trainer” candidates.

(d) Northern California Directors are defined as those individuals residing within the State from the southern border of San Luis Obispo County and eastward along the southern boundaries of Kings County, Tulare County and Inyo County to the Nevada border, and north to the Oregon border.

(e) The TOC committee responsible for nominating candidates shall nominate as many Northern California candidates as is needed to maintain at the minimum Northern California Directors for both categories on the Board.

(f) Should, after taking into account the provisions of Section 4.06(a), there be fewer than the minimum number of Northern California Directors authorized to serve on the Board, then the Northern California candidate or candidates receiving the highest number of votes within the category shall be elected until the number of Northern California Directors reaches the required minimum. In such case, the election of the Northern California Director(s) shall take precedence over the candidate(s) receiving the least number of votes who otherwise would have been elected.

Section 4.07 Compensation. The directors shall serve without compensation except that they shall be allowed and be paid their actual and necessary expenses incurred in attending the meetings of the Board of Directors or in the performance of their duties as members of the Board of Directors.

Section 4.08 Meetings.

(a) Call of Meetings. Meetings of the Board may be called by the Chairman, President, any Vice Chairperson, the Vice President, the Secretary, or any two (2) directors.

(b) Place of Meeting. All meetings of the Board shall be held at the principal office of the Corporation or at other locations determined by the Board from time to time.

(c) Time of Regular Meeting. Regular meetings of the Board shall be held, without call or notice, at a time to be determined by the Board of Directors.

(d) Special Meetings. Special meetings of the Board may be called by the Chairman, President, any Vice Chairperson, any Vice President, the Secretary, or any two (2) directors. Special meetings shall be held on four (4) days' notice by first-class mail, postage prepaid, or on forty-eight (48) hours' notice delivered personally or by telephone, telegraph or telecopy. Notice of the special meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of such notice to such director. All such waivers, consents and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

(e) Quorum. Not less than fifty percent (50%) of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except as hereinafter provided.

(f) Transactions of Board. Except as otherwise provided in the Articles of Incorporation, in these Bylaws or by law, every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present is the act of the Board, provided however, that any meeting at which a quorum was initially present may continue to transact business notwithstanding the withdrawal of Directors if any action taken is approved by at least a majority of the required quorum for such meeting, or such greater number as is required by the law, the Articles of Incorporation or these Bylaws.

(g) Conduct of Meetings. Any director selected by the directors present shall preside at meetings of the Board of Directors. The Secretary of the Corporation or, in the Secretary's absence, any person appointed by the presiding officer shall act as Secretary of the Board. Members of the Board may participate in a meeting through use of conference telephone or similar communications equipment, so long as all members participating in such meeting can hear one another. Such participation shall constitute personal presence at the meeting.

(h) Adjournment. A majority of the directors present, whether or not a quorum is present, may adjourn any meeting to another time and place. If the meeting is adjourned for more than twenty-four (24) hours, notice of the adjournment to another time or place must be given prior to the time of the adjourned meeting to the directors who were not present at the time of the adjournment.

Section 4.09 Action Without Meeting. Any action required or permitted to be taken by the Board may be taken without a meeting, if all members of the Board individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as the unanimous vote of such directors.

Section 4.10 Removal of Directors. Effective with the election of Directors after July 1, 2001.

(a) Removal for Cause. The Board may declare vacant the office of a Director on the occurrence of any of the following events:

- (1) The Director has been declared of unsound mind by a final order of court; or
- (2) The Director has been convicted of a felony; or
- (3) The director has been found by a final order or judgment of any court to have breached duties imposed by Section 7238 of the *Corporations code* on directors who perform functions with respect to assets held in charitable trust; or
- (4) The Director has failed to attend three (3) unexcused consecutive meetings of the Board; or
- (5) The Director is no longer qualified for membership pursuant to Section 2.04(a) and (b)
- (6) The Director serves on a Board or as an officer or employee of any entity conducting wagering on horse racing.

(b) Removal Without Cause. Any or all of the directors may be removed without cause if, where the Corporation has fewer than fifty (50) members, such removal shall be approved by a majority of all members pursuant to Section 5033 of the California *Corporations code*; or where the Corporation has more than fifty (50) members, such removal shall be approved by the members within the meaning of Section 5034 of the California *Corporations code*.

Section 4.11 Resignation of Director. Any director may resign effective on giving written notice to the Chairperson of the Board, the President, the Secretary or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of such resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 4.12 Vacancies on the Board.

(a) Causes. Vacancies on the Board of Directors shall exist on the death, resignation or removal of any director; whenever the number of directors authorized is increased; and on the failure of the members in any election to elect the full number of directors authorized.

(b) Filling vacancies by Directors. Except for a vacancy created by the removal of the directors pursuant to Section 4.10 of these Bylaws, vacancies on the Board of Directors may be filled by approval of the majority of the Board of Directors or, if the number of directors then in office is less than six, by (I) the unanimous written consent of the directors then in office; (II) the affirmative vote of a majority of the directors then in office at a meeting held pursuant to notice or waivers of notice as provided in Section 4.08(d) of these Bylaws; or (III) a sole remaining director. The person selected to fill the vacancy shall serve until the term for which the person is appointed expires or until the next annual election, whichever comes first.

(c) Filling Vacancies by Members. Vacancies created by removal of directors shall be filled only by the approval of members within the meaning of Section 5034 of the California *Corporations code*. The members of the class from which the removed director came from may elect a director at any time to fill any vacancy not filled by the directors.

Section 4.13 Committees of the Board.

(a) The Board of Directors, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of one or more directors to serve at the pleasure of the Board. If the Board so elects, non-board members may serve in an advisory capacity on any committee of the Board; however, no such advisory member, except the President, shall have the right to vote as to any matter submitted to the Committees. Appointments to committees of the Board of Directors shall be by majority vote of the directors. The Board may appoint one or more directors as alternate members of any such committee, who may replace any absent member at any meeting. Any such committee, to the extent provided in the Board resolution, shall have all the authority of the Board of Directors except that no committee, regardless of Board resolution may:

(i) take any final action on any matter that, under the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;

(ii) fill vacancies on the Board of Directors or on any committee that has the authority of the Board;

(iii) fix compensation of the directors for serving on the Board or on any committee;

(iv) amend or repeal Bylaws or adopt new Bylaws;

(v) amend or repeal any Board resolution that by its express terms is not so amendable or repealable;

(vi) create any other committees of the Board of Directors or appoint the members of committees of the Board;

(vii) expend corporate funds to support a nominee for director after more people have been nominated for director than can be elected; or

(viii) with respect to any assets held in charitable trust, approve any contract or transaction between the Corporation and an entity in which one or more of its directors have a material financial interest, subject to the special approval provision of Section 5233(d)(3) of the California *Corporations Code*.

(b) The Racing Affairs Committee, or its equivalent, shall maintain a subcommittee that shall meet in the Northern Zone for the purpose of reviewing, negotiating, and establishing purse

schedules with racing associations and fairs conducting live race meets within the zone, in conjunction with the Committee. This subcommittee shall be comprised of the four board members from the Northern Zone, and such other Northern California members as the Board deems necessary and appropriate. In order to serve as a member of the subcommittee, individuals shall have the same qualifications required of Northern California Directors pursuant to Section 4.03 of these Bylaws. In addition, the Corporation shall make at least one staff person available in the Northern Zone to support the activities of the subcommittee.

Section 4.14 Meetings and Action of Committees. Meetings and actions of committees of the Board of Directors shall be governed by, held, and taken in accordance with, the provisions of these Bylaws concerning meetings and other Board actions except that the time for regular meetings of such committees and calling of special meetings of such committees may be determined either by Board resolution, or if there is none, by resolution of the committee. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the corporate records. The Board of Directors may adopt rules for the government of any committee that are consistent with these Bylaws, or in the absence of rules adopted by the board, the committee may adopt such rules.

ARTICLE V. OFFICERS

Section 5.01 Number and Titles. The officers of the Corporation shall be: a Chairperson of the Board; two Vice Chairpersons; a President; Vice President; a Secretary; a Treasurer; and, such other officers and assistant officers with such titles and duties as shall be determined by the Board and as may be necessary to enable it to sign instruments. Any number of offices may be held by the same person, except that neither the Secretary nor the Treasurer may serve concurrently as the President.

Section 5.02 Appointment and Resignation. The officers shall be chosen by the Board and serve at the pleasure of the Board, subject to the rights, if any, of an office under any contract of employment. Any officer may resign at any time on written notice to the Corporation without prejudice to the rights, if any, of the Corporation under any contract to which the officer is a party.

Section 5.03 Chairperson of the Board. The Chairperson of the Board shall preside at meetings of the Board of Directors and members and shall exercise and perform such other powers and duties as the Board may assign from time to time.

Section 5.04 Vice Chairpersons of the Board. Two (2) Vice Chairpersons of the Board shall exercise and perform such powers and duties as the Board may assign from time to time. One Vice Chairperson shall both race and reside in Southern California, the other shall both race and reside in Northern California. Such geographical designations shall be consistent with that set forth in Section 4.06(d)

Section 5.05 President. Subject to such supervisory powers as the Board of Directors may give to the Chairperson of the Board, and subject to the control of the Board, the President shall be the general manager of the Corporation and shall supervise, direct, and control the Corporation's activities, affairs and officers. In the absence of the Chairperson of the Board, the President shall

preside at all Board meetings. The President shall have such other powers and duties as the Board of Directors or Bylaws may prescribe from time to time.

Section 5.06 Vice President(s). In the absence or disability of the President, the Vice President(s), if any, in order of their rank as fixed by the Board of Directors or, if not ranked, a Vice President designated by the Board of Directors, shall perform all duties of the President. When so acting, a Vice President shall have all powers of and be subject to all restrictions applicable to the President. The Vice President(s) shall have such other powers and perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time.

Section 5.07 Secretary. The Secretary shall keep or cause to be kept, at the Corporation's principal office or such other place as the Board of Directors may direct, a book of minutes of all meetings, proceedings and actions of the Board, of committees of the Board, and of members' meetings. The minutes of meetings shall include the time and place of holding, whether the meeting was annual, regular or special and, if special, how authorized, the notice given and the names of those present or represented at members' meetings. The Secretary shall keep or cause to be kept, at the principal office in California, a copy of the Articles of Incorporation and Bylaws, as amended to date. The Secretary shall give, or cause to be given, notice of all meetings of members, of the Board of Directors, and of committees of the Board required by these Bylaws to be given. The Secretary shall keep the corporate seal in safe custody and shall have such other powers and perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time.

Section 5.08 Treasurer. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the Corporation's properties and transactions. The Treasurer shall send, or cause to be given, to the members and directors such financial statements and reports as are required by law, by these Bylaws or by the Board to be given. The books of account shall be open to inspection by any director at all reasonable times. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the Corporation with such depositories as the Board of Directors may designate, shall disburse the Corporation's funds as the Board may order, shall render to the President, Chairperson of the Board and the Board of Directors, when requested, an account of all transactions as Treasurer and of the financial condition of the Corporation, and shall have such other powers to perform such other duties as the Board of Directors or the Bylaws may prescribe from time to time. If required by the Board of Directors, the Treasurer shall give the Corporation a bond in the amount and with the surety or sureties specified by the Board for faithful performance of the duties of the office and for restoration to the Corporation of all its books, papers, vouchers, money and other property of every kind in the possession or under the control of the Treasurer on his or her death, resignation, retirement or removal from the office.

ARTICLE VI. INDEMNIFICATION AND INSURANCE

Section 6.01 Right of Indemnity. To the fullest extent permitted by law, the Corporation shall indemnify its directors, officers, employees and other persons described in Section 7273(a) of the California *Corporations code*, including persons formerly occupying any such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any "proceeding," as that term is used in that Section, and

including an action by or in the right of the Corporation, by reason of the fact that such person is or was a person described in that Section. "Expenses," as used in this Bylaw, shall have the same meaning as in Section 7273(a) of the California *Corporations code*.

Section 6.02 Approval of Indemnity. On written request to the Board by any person seeking indemnification under Section 7237(b) or Section 7237(c) of the California *Corporations code*, the Board of Directors shall promptly determine under Section 7237(e) of the California *Corporations code* whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the Board shall authorize indemnification. If the Board of Directors cannot authorize indemnification because the number of directors who are parties to the proceeding with respect to which indemnification is sought prevents the formation of a quorum of directors who are not parties to that proceeding with respect to which indemnification is sought prevents the formation of a Board of Directors shall promptly call a meeting of members. At that meeting, the members shall determine under Section 7237(e) whether the applicable standard of conduct set forth in Section 7237(b) or Section 7237(c) has been met and, if so, the members present at the meeting in person shall authorize indemnification.

Section 6.03 Advancement of Expenses. To the fullest extent permitted by law and except as otherwise determined by the Board of Directors in a specific instance, expenses incurred by a person seeking indemnification under this Article VI in defending any proceeding covered hereby shall be advanced by the Corporation before final disposition of the proceeding, on receipt by the Corporation of an undertaking by or on behalf of such person that the advance will be repaid unless it is ultimately determined that the person is entitled to be indemnified by the Corporation for those expenses.

Section 6.04 Insurance. The Corporation shall have the right to purchase and maintain insurance to the fullest extent permitted by law on behalf of its officers, directors, employees and other agents, against any liability asserted against or incurred by an officer, director, employee or agent in such capacity or arising out of the officer's, director's, employee's or agent's status as such.

ARTICLE VII. CORPORATE RECORDS, REPORTS AND SEAL

Section 7.01 Record Keeping. The Corporation shall keep adequate and correct records of account and minutes of the proceedings of its members, the Board of Directors and committees of the Board. The Corporation shall also keep a record of its members listing their names and addresses. The minutes shall be kept in written form. Other books and records shall be kept in either written form or in any other form capable of being converted into written form.

Section 7.02 Annual Report. An annual report shall be prepared within 120 days after the end of the Corporation's fiscal year. Such report shall contain the following information in appropriate detail:

(i) a balance sheet as of the end of the fiscal year, an income statement and statement of changes in financial position of the fiscal year, accompanied by any report on them by independent accountants, or, if there is no such report, by the certificate of an authorized officer of the Corporation that they were prepared without audit from the books and records of the Corporation;

(ii) a statement of the place where the names and addresses of current members are located;
and

(iii) any information required by Section 7.03.

The Corporation shall notify each member annually of the member's right to receive a financial report hereunder. Upon written request by a member, the Board of Directors shall promptly cause the most recent annual report to be sent to the requesting member. Notwithstanding the foregoing, the Corporation shall not be required to prepare or deliver an annual report if the Corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year.

Section 7.03 Annual Statement of Certain Transactions and Indemnifications. As part of the annual report to all members, or as a separate document if no annual report is issued, the Corporation shall annually prepare and mail or deliver to its members and furnish to its directors a statement of any transaction or indemnification of the following kinds within 120 days after the end of the Corporation's fiscal year:

(i) Unless approved by members under Section 7233(a) of the California *Corporations code*, any transaction (a) to which the Corporation, its parent, or its subsidiary was a party, (b) which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000, and (ii) in which any director or officer of the Corporation, its parent, or its subsidiary; or any holder of more than 10 percent of the voting power of the Corporation, its parent or its subsidiary had a direct or indirect material financial interest (a mere common directorship is not a material financial interest). The statement shall include a brief description of the transaction, the names of interested persons involved, their relationship to the Corporation, the nature of their interest in the transaction, and, when practicable, the amount of that interest; provided that, in the case of a partnership in which such person is a partner, only the interest of the partnership need be stated.

(ii) A brief description of the amounts and circumstances of any loans, guaranties, indemnifications or advances aggregating more than \$10,000 paid during the fiscal year to any officer or director of the Corporation, unless the loan, guaranty, indemnification, or advance has already been approved by the members under Section 5034 of the California *Corporations code*, or the loan or guaranty is not subject to the provisions of subdivision (a) of Section 7235(a) of the California *Corporations code*.

Section 7.04 Corporate Seal. The Board of Directors shall adopt a corporate seal which shall be in the following form:

Round imprint containing the Corporation's name "THOROUGHbred OWNERS OF CALIFORNIA", the date of incorporation as well as the name of the State in which the Corporation was incorporated, to wit: "State of California."

The Secretary of the Corporation shall have the custody of the seal and affix it in all appropriate cases to all corporate documents. Failure to affix a seal shall not, however, affect the validity of any instrument.

ARTICLE VIII. AMENDMENTS

Section 8.01 Amendment by Board. Subject to the rights of members under the Article VIII, the Board of Directors may adopt, amend or repeal Bylaws unless the action would (i) materially and adversely affect the members' rights as to voting, dissolution, redemption, or transfer; (ii) increase or decrease the number of members authorized in total or for any class; (iii) effect an exchange, reclassification, or cancellation of all or part of the memberships; or (iv) authorize a new class of membership.

Section 8.02 Members' Approval Required. Without the approval of the members, the Board of Directors may not adopt, amend, or repeal any Bylaw that would (i) increase or extend the terms of directors; (ii) allow any director to hold office by designation or selection rather than by election by a member or members; (iii) increase the quorum for members' meetings; (iv) repeal, restrict, create, expand, or otherwise change proxy rights; or (v) authorize cumulative voting.

Section 8.03 Changes to Number of Directors. Once members have been admitted to the Corporation, the Board of Directors may not, without the approval of the members, specify or change any Bylaw provision that would (i) fix or change the authorized number of Directors; (ii) fix or change the minimum or maximum number of directors; or (iii) change from a fixed number of directors to a variable number of directors or vice versa.

Section 8.04 Supermajority Vote. Any provision of these Bylaws that requires the vote of a larger proportion of the members than otherwise is required by law may not be altered, amended or repealed except by vote of that greater number.