

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR

Thoroughbred Oaks Property Group

This Company Agreement of this LIMITED LIABILITY COMPANY organized pursuant to Kentucky law, is entered into and shall become effective as of the Effective Date by and among the Company and the persons executing this Agreement as Members. It is the Members express intention to create a limited liability company in accordance with the Act, as currently written or subsequently amended or redrafted. Therefore, all provisions of this document shall be construed consistent with the afore described intent of the Members. Accordingly, in consideration of the conditions contained herein, he/she/they agree as follows:

ARTICLE I

Company Formation

- 1.1 **FORMATION.** The Members hereby form a Limited Liability Company ("Company") subject to the provisions of state law as currently in effect as of this date. Articles of Organization shall be filed with the Secretary of State.
- 1.2 **REGISTERED OFFICE AND AGENT.** The location and name of the registered agent shall be as stated in the Articles of Organization.
- 1.3 **TERM.** The Company shall continue for a perpetual period until:
 - (a) Any event which makes it unlawful for the business of the Company to be carried on by the Members; or
 - (c) The death, resignation, expulsion, bankruptcy, retirement of a Member or the occurrence of any other event that terminates the continued membership of a Member of the Company; or
 - (d) Any other event causing dissolution of this Limited Liability Company under applicable laws.
- 1.4 **CONTINUANCE OF COMPANY.** Notwithstanding the provisions of ARTICLE 1.3, in the event of an occurrence described in ARTICLE 1.3(c), if there are at least two remaining Members, said remaining Members shall have the right to continue the business of the Company. Such right can be exercised only by the unanimous vote of the remaining Members within ninety (90) days after the occurrence of an event described in ARTICLE

1.3(c). If not so exercised, the right of the Members to continue the business of the Company shall expire.

1.5 **BUSINESS PURPOSE.** The Company shall conduct any and all lawful business deemed appropriate to execute the company's objective of purchasing and selling or renting property for profit.

1.6 **PRINCIPAL PLACE OF BUSINESS.** The location of the principal place of business of the Company shall be as stated in the Articles of Organization or at a location as the Members select.

1.7 **THE MEMBERS.** The name and place of residence of each member are listed below. Members are the owners of this company.

Clifton Martin Smith

Larysa Smith

Calen Martin Smith

Zachariah Wesley Smith

Shannon Catherine Smith

1.8 **ADMISSION OF ADDITIONAL MEMBERS.** Except as otherwise expressly provided in the Agreement, no additional members may be admitted to the Company through issuance by the company of a new interest in the Company without the prior unanimous written consent of the Members.

ARTICLE II

Capital Contributions

2.1 **INITIAL CONTRIBUTIONS.** The Members shall not be required to contribute to the Company capital, but should an amount be contributed the company shall keep record of the amount each contributed.

ARTICLE III

Profits, Losses and Distributions

3.1 **PROFITS/LOSSES.** For financial accounting and tax purposes the Company's net profits or net losses shall be determined on an annual basis and shall be allocated to the

Members in proportion to each Member's relative capital interest in the Company, and as amended from time to time in accordance with Treasury Regulation 1.704-1.

- 3.2 **DISTRIBUTIONS.** The Members shall determine and distribute available funds annually or at more frequent intervals as they see fit. Available funds, as referred to herein, shall mean the net cash of the Company available after appropriate provision for expenses and liabilities, as determined by the Members. Distributions in liquidation of the Company or in liquidation of a Member's interest shall be made in accordance with the positive capital account balances pursuant to Treasury Regulation 1.704-1(b)(2)(ii)(b)(2). To the extent a Member shall have a negative capital account balance, there shall be a qualified income offset, as set forth in Treasury Regulation 1.704-1(b)(2)(ii)(d).

ARTICLE IV

Management

- 4.1 **MANAGEMENT OF THE BUSINESS.** Members will participate, manage, and take share in the profits and losses only as to the properties in which they invest time and capital.
- 4.2 **MEMBERS.** Members shall take part in the operation of the Company's affairs as designated in above in 4.1 "Management of the Business". Any action taken by members including but not limited to acquisition, sale, substantial alteration, or renting of property must be done with the consent of the majority of the members contained in ARTICLE 1.7.
- 4.3 **NOMINEE.** Title to the Company's assets shall be held in the Company's name and no other nominee may be selected by any member.
- 4.5 **COMPANY INFORMATION.** Upon request, the Members shall supply to any other member information regarding the Company or its activities. Each Member or his authorized representative shall have access to and may inspect and copy all books, records and materials in the Organizer's possession regarding the Company or its activities. The exercise of the rights contained in this ARTICLE 4.5 shall be at the requesting Member's expense.
- 4.6 **EXCULPATION.** Any act or omission of a Member, the effect of which may cause or result in loss or damage to the Company or the other Members if done in good faith to promote the best interests of the Company, shall not subject the Member to any liability to the other Members.
- 4.7 **INDEMNIFICATION.** The Company shall indemnify any person who was or is a party defendant or is threatened to be made a party defendant, pending or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative (other than an action by or in the right of the Company) by reason of the fact that he is or was a

Member of the Company, Manager, employee or agent of the Company, or is or was serving at the request of the Company, for instant expenses (including attorney's fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding if the Members determine that he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interest of the Company, and with respect to any criminal action proceeding, has no reasonable cause to believe his/her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of "no lo Contendere" or its equivalent, shall not in itself create a presumption that the person did or did not act in good faith and in a manner which he reasonably believed to be in the best interest of the Company, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his/her conduct was lawful.

4.8 **RECORDS.** The Members shall cause the Company to keep at its principal place of business or at another location agreeable by the Members, the following:

- (a) a current list in alphabetical order of the full name and the last known street address of each Member;
- (b) a copy of the Certificate of Formation and the Company Operating Agreement and all amendments;
- (c) copies of the Company's federal, state and local income tax returns and reports, if any, for the three most recent years;
- (d) copies of any financial statements of the limited liability company for the three most recent years.

ARTICLE V

Compensation

- 5.1 **MANAGEMENT FEE.** Any Member rendering services to the Company shall be entitled to compensation commensurate with the value of such services.
- 5.2 **REIMBURSEMENT.** The Company shall reimburse any Members for all direct out-of-pocket expenses incurred by them in managing the Company.

ARTICLE VI

Bookkeeping

- 6.1 **BOOKS.** The Members shall maintain complete and accurate books of account of the Company's affairs at the Company's principal place of business or at another location

agreeable by the Members. Such books shall be kept on such method of accounting as the Members shall select. The company's accounting period shall be the calendar year.

- 6.2 **MEMBER'S ACCOUNTS.** The Members shall maintain their own separate capital and distribution accounts. Each member's capital account shall be determined and maintained in the manner set forth in Treasury Regulation 1.704-1(b)(2)(iv) and shall consist of his initial capital contribution increased by:

(a) any additional capital contribution made by him/her;

(b) credit balances transferred from his distribution account to his capital account; and decreased by:

(a) distributions to him/her in reduction of Company capital;

(b) the Member's share of Company losses if charged to his/her capital account.

- 6.3 **REPORTS.** The Organizer shall close the books of account after the close of each calendar year, and shall prepare the statement of each Member's distributive share of income and expense for income tax reporting purposes.

ARTICLE VII

Transfers

- 7.1 **ASSIGNMENT.** If at any time a Member proposes to sell, assign or otherwise dispose of all or any part of his interest in the Company, such Member shall first make a written offer to sell such interest to the other Members as determined by reasonable market value. If such other Members decline or fail to elect such interest within thirty (30) days, and if the sale or assignment is made and the Members fail to approve this sale or assignment unanimously then, pursuant to the state law, the purchaser or assignee shall have no right to participate in the management of the business and affairs of the Company. The purchaser or assignee shall only be entitled to receive the share of the profits or other compensation by way of income and the return of contributions to which that Member would otherwise be entitled.