

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

FOR

Hookah 2 U, LLC

This Company Agreement of this MEMBER MANAGED LIMITED LIABILITY COMPANY organized pursuant to the applicable laws of The Common Wealth of Kentucky, is entered into and shall become effective as of the effective date by and among the Company and the persons executing this Agreement as the 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, The Members agree as follows:

ARTICLE I

Company Formation

- 1.1 **FORMATION.** The Members hereby do form a Limited Liability Company ("Company") subject to the provisions of The Common Wealth of Kentucky currently in effect as on 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 unless, (a) The Members vote for dissolution; or (b) Any event which makes it unlawful for the business of the Company to be carried on by the Members; or (c) Any other event causing dissolution of this Limited Liability Company under applicable Law of The Common Wealth of Kentucky.
 - 1.4 **CONTINUANCE OF COMPANY.** Notwithstanding the provisions of ARTICLE 1.3, in the event of an occurrence described in ARTICLE 1.3©, if there is at least one remaining Member, said remaining Member shall have the right to continue the business of the Company.
 - 1.5 **BUSINESS PURPOSE.** The Company shall conduct any and all lawful business deemed appropriate to execute the company's objectives.
 - 1.6 **PRINCIPLE 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 is listed below at Certification of Members. Members are the owners of this company.
- 1.8 ADMISSION OF ADDITIONAL MEMBERS. Except as otherwise expressly provided in the Agreement, additional members may be admitted to the Company through Issuance by the company of a new interest in the Company or a sale of current a percent of current Members' interest.

ARTICLE II

Capital Contributions

- 2.1 INITIAL CONTRIBUTIONS. The Members initially shall contribute to the Company capital and the company shall keep record of the amount each contributed.
- 2.2 ADDITIONAL CONTRIBUTIONS. Except as provided in ARTICLE 6.2, no Member shall be obligated to make any additional contribution to the Company's capital.

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 as set for the in Exhibit 2 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 the Members sees 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 Regulations 1.704-1(b)(2)(ii)(b)(i). 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).
- 3.3 C CORPORATION ELECTION. The Members may elect to be treated as a C Corporation at any time to keep the profits of the LLC at the company level and not be forced to distribute profits to the Members.

ARTICLE IV

Management

4.1 **MANAGEMENT OF THE BUSINESS.** The management of the business is invested in the Members.

4.2 **MEMBERS.** The liability of the Members shall be limited as provided pursuant to applicable Law of The Commonwealth of Kentucky. The Members are in control, management, direction, and operation of the Company's affairs and shall have powers to bind the Company with any legally binding agreement, including setting up and operating a LLC company bank account.

4.3 **POWERS OF THE MEMBERS.** The Members are authorized on the Company's behalf to make all decisions in accordance with ARTICLE 4.2 as to (a) the sale, development lease or other disposition of the Company's assets; (b) the purchase or other acquisition of other assets of all kinds; (c) the management of all or any part of the Company's assets; (d) the borrowing of money and the granting of security interests in the Company's assets; (e) the pre-payment, refinancing or extension of any loan affecting the Company's assets; (f) the compromise or release of any of the Company's claims or debts; and (g) the employment of persons, firms or corporations for the operation and management of the company's business. In the exercise of its management powers, the Members are authorized to execute and deliver (a) all contracts, conveyances, assignments leases, sub-leases, franchise agreements, licensing agreements, management contracts and maintenance contracts covering or affecting the Company's assets; (b) all checks, drafts and other orders for the payment of the Company's funds; (c) all promissory notes, loans, security agreements and other similar documents; and (d) all other instruments of any other kind relating to the Company's affairs, whether like or unlike the foregoing.

4.7 **NOMINEE.** Title to the Company's assets shall be held in the Company's name or in the name of any nominee that the Members may designate. The Members shall have power to enter into a nominee agreement with any such person, and such agreement may contain provisions indemnifying the nominee, except for their willful misconduct.

4.8 **COMPANY INFORMATION.** Upon request, the Chief Executive Member shall supply to any 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 Chief Executive Member's possession regarding the Company or its activities.

4.9 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 Members if done in good faith to promote the best interest of the Company, shall not subject the Member to any liability to the Members.

4.10 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 Member 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 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 conduct was lawful.

4.11 RECORDS. The Members shall cause the Company to keep at its principal place of business or other location the following; (a) A copy of the Certificate of Formation and the Company Operating Agreement and all amendments; (b) Copies of the Company's federal, state and local income tax returns and reports, if any, for the three most recent years; (c) Copies of any financial statements of the limited liability company for the three most recent years.

ARTICLE V

Compensation

5.1 MEMBER 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 the Member(s) for all direct out-of-pocket expenses incurred by the Member(s) 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 other agreed location. 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 MEMBERS' ACCOUNTS. The Members shall maintain separate capital and distribution accounts for each member. Each Member's capital account shall be determined and maintained in the manner set forth in Treasury Regulation 1.704-1(2)(iv) and shall consist of his initial capital contribution increased by:

- (a) Any additional capital contribution made by him;
- (b) Credit balances transferred from his distribution account to his capital account; and
decreased by:
 - (a) Distributions to him in reduction of Company capital;
 - (b) The Member's share of Company losses if charged to his capital account.

6.3 REPORTS. The Members shall close the books of account after the close of each calendar year, and shall prepare and send to each member a statement of such Member's distributive share of income and expense for income tax reporting purposes.

ARTICLE VII

Transfers

7.1 ASSIGNMENT. According to the appropriate Court, should the Members have a creditor with a judgment that was issued an assignment of the membership interest, the creditor shall only obtain an assignment of the membership interest, not the actual transfer of Membership in the LLC. The new assignee does not have any rights of the Members or have the ability to be involved in management of the LLC or the right to dissolve the LLC. The new assignee is only granted rights of the distributions of the Member's interests, if the Member decides to distribute at all, not the rights of membership. The assignee must release the Member's interests back to Members upon payment of the judgment in accordance with the appropriate Court.

ARTICLE VIII

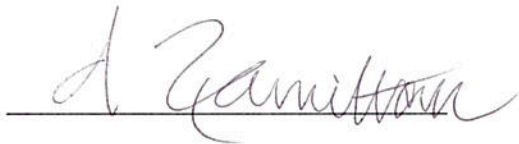
Dissolution

8.1 DISSOLUTION. The Members may dissolve the LLC at any time. The Members may NOT dissolve the LLC for a loss of membership interests. Upon dissolution the LLC must pay its debts first before distributing cash, assets, and/or initial capital to the Members or the Members interests. The dissolution may only be ordered by the Members, not by the owner of the Members interests.

CERTIFICATION OF MEMBER

The undersigned hereby agree, acknowledge and certify to adopt this Operating Agreement.

Signed this 25th day of January, 2013.



Signature

Alexander J. Hamilton

209 Old Todds Road, #9101

Lexington, KY 40502

502. 457.0723



Signature

Tyler G. Ousley

451 Park Street

Lexington, KY 40509

859.317.3718

