

## **OPERATING AGREEMENT**

**of**

**YouSwags, LLC**

**This Operating Agreement** (the "Agreement") made and entered into this 30th day of June, 2014 (the "Execution Date"),

### **BETWEEN**

Paul Larkin of 2251 Smallhouse Rd., Bowling Green, KY 42104, and  
Rob Sparkman of 120 Whispering Hills Blvd., Bowling Green, KY 42101

(individually the "Member" and collectively the "Members").

### **BACKGROUND**

- A. The Members wish to associate themselves as members of a limited liability company.
- B. The terms and conditions of this Agreement will govern the members within the limited liability company.

**IN CONSIDERATION OF** and as a condition of the Members entering into this Agreement and other valuable consideration, the receipt and sufficiency of which is acknowledged, the parties to this Agreement agree as follows:

#### **Formation**

1. By this Agreement the Members form a Limited Liability Company (the "Company") in accordance with the laws of the Commonwealth of Kentucky. The rights and obligations of the Members will be as stated in the Kentucky Limited Liability Company Act (the "Act") except as otherwise provided here.

**Name**

2. The name of the Company will be YouSwags, LLC.

**Purpose**

3. This company is organized for the purpose of creating and developing an online website.

**Term**

4. The Company will continue until terminated as provided in this Agreement or may dissolve under conditions provided in the Act.

**Place of Business**

5. The Principal Office of the Company will be located at 2251 Smallhouse Rd, Bowling Green, KY 42104 or such other place as the Members may from time to time designate.

**Membership Classes**

6. Members will be divided into classes. Each class will have distinct rights and obligations as follows:

Member Class	Duties and Obligations	Voting
Class A	Class A is the Owner Class.	Yes
Class B	Class B is for the various contributors to our website.	Yes

7. The following is a list of all Members and the membership class to which they belong:

Member	Member Class
Paul Larkin	Class A
Rob Sparkman	Class A

### **Capital Contributions**

8. The following is a list of all Members and their Initial Capital Contributions to the Company. Each of the Members agree to make their Capital Contributions to the Company, full and on time, according to the following terms:

<b>Member</b>	<b>Contribution Description</b>	<b>Value of Contribution</b>	<b>Delivery Date</b>
Paul Larkin	This Member will provide cash and temporary office space at his residence and 105 Springhill Ave., Bowling Green, KY 42101. This member will also conduct the business activities of this organization.	\$2,500. 00	30 Jun 2014
Rob Sparkman	This member will contribute cash, website design services, and aid in the business services the company conducts.	\$2,500. 00	30 Jun 2014

### **Distribution of Profits/Losses**

9. Subject to the other provisions of this Agreement, the Net Profits or Losses of the Company, for both accounting and tax purposes, will accrue to and be borne by the Members in equal proportions.
10. Distributions will be made according to the following schedule: Distributions are to be made quarterly after all business expenses, additions, and liabilities are accounted for.

11. Tax Allocations will be borne by the Members in equal proportions.
12. No Member will have priority over any other Member for the distribution of Net Profits or Losses.

#### **Voting**

13. Each Member of a voting membership class will be entitled to cast votes, on any matter within the authority of that membership class, based upon the proportion of that Member's Capital Contributions in the Company.

#### **Nature of Interest**

14. A Member's interest in the Company will be considered personal property, and will at no time be considered real property.
15. A Member's ownership interest in the Company will be represented by a certificate issued by the Company.

#### **Withdrawal of Contribution**

16. No Member will withdraw any portion of their Capital Contribution without the unanimous consent of the other Members.

#### **Liability for Contribution**

17. A Member's obligation to make their required Capital Contribution can only be compromised or released with the consent of all remaining Members or as described elsewhere in this Agreement. If a Member does not make the Capital Contribution when it is due, he is obligated at the option of the remaining Members to contribute cash equal to the agreed value of the Capital Contribution. This option is in addition to and not in lieu of any others rights, including the right to specific performance that the Company may have against the Member.

#### **Additional Contributions**

18. Capital Contributions may be amended from time to time, according to the requirements of the Company provided that the Members' interests are not affected, except with the unanimous consent of the Members. No Member will be required to make Additional Contributions. Whenever additional capital is determined to be required and an individual Member is unwilling or unable to meet the additional contribution requirement within a reasonable period, as required

by business obligations, the remaining Members may contribute in proportion to their existing Capital Contributions to resolve the amount in default. In such case the allocation of Net Profits or Losses of the Company among all the Members may be adjusted to reflect the aggregate change in Capital Contributions by the Members.

19. Any advance of money to the Company by any Member in excess of the amounts provided for in this Agreement or subsequently agreed to, will be deemed a debt due from the Company rather than an increase in the Capital Contribution of the Member. This liability will be repaid with interest at such rates and times to be determined by a majority of the Voting Members. This liability will not entitle the lending Member to any increased share of the Company's profits nor to a greater voting power. Resolution of such debts may have preference or priority over any other payments to Members as may be determined by a majority of the Voting Members.

#### **Capital Accounts**

20. An individual capital account will be maintained for each Member and their initial Capital Contribution will be credited to this account. Any Additional Contributions made by any Member will be credited to that Member's individual Capital Account.

#### **Interest on Capital**

21. No borrowing charge or loan interest will be due or payable to any Member on their agreed Capital Contribution inclusive of any agreed Additional Contributions.

#### **Drawing Accounts**

22. An individual drawing account will be maintained for each Member. Each Member will be entitled to draw against their share of the profits in such amounts and at such time as will be agreed by the Members. The drawing account is a temporary account and is expected to have a debit balance if there have been any withdrawals. At the end of each accounting year, the drawing accounts are closed by transferring the debit balance to each Member's capital account.

#### **Compensation of Members for Services Rendered**

23. Members will not be compensated by the Company for services rendered to or on behalf of the Company, except reimbursement for expenses directly related to the operation of the Company.

### **Management**

24. Management of this Company is vested in the Members.

### **Authority to Bind Company**

25. Only the following individuals have authority to bind the Company in contract: All Class A Members.

### **Duty of Loyalty**

26. No Member or Manager will engage in any business, venture or transaction, whether directly or indirectly, that might be competitive with the business of the Company or that would be in direct conflict of interest to the Company. Any potential conflicts of interest will be deemed an Involuntary Withdrawal of the offending Member or Manager and may be treated accordingly by the remaining Members. A withdrawing Member or Manager will not carry on a similar business to the business of the Company within any established or contemplated market regions of the Company for a period of at least 5 years after the date of withdrawal.

### **Duty to Devote Time**

27. Each Member will devote such time and attention to the business of the Company as the majority of the Voting Members will from time to time reasonably determine for the conduct of the Company business.

### **Member Meetings**

28. Member meetings will be held at the following address, or any other location that the Members may from time to time designate: the Principle Office.
29. Any impending Member meeting will require 1 Day notice be given to all Members.
30. A meeting may be called by any Member providing that appropriate notice has been provided to the other Members.
31. There must be at least 100.00% of the Members present at a meeting for any decisions to be binding.

### **Admission of New Members**

32. A new Member may only be admitted to the Company with a unanimous vote of the existing Members.
33. The new Member agrees to be bound by all the covenants, terms, and conditions of this Agreement, inclusive of all current and future amendments. Further, a new Member will execute such documents as are needed to effect the admission of the new Member. Any new Member will receive such business interest in the Company as determined by a unanimous decision of the other Members.

### **Dissociation of a Member**

34. Voluntary Withdrawal: No Member may voluntarily withdraw from the Company for a period of 14 days from the execution date of this Agreement. After the expiration of this period, any Member (the "Dissociated Member") will have the right to voluntarily withdraw from the Company at the end of any fiscal year. Written notice of intention to withdraw must be served upon the remaining Members at least 3 months prior to the fiscal year end. The withdrawal of such Member will have no effect upon the continuance of the Company business. If the remaining Members elect to purchase the interest of the withdrawing Member, the Members will serve written notice of such election upon the withdrawing Member within thirty (30) days after receipt of the withdrawing Member's notice of intention to withdraw, including the purchase price and method and schedule of payment for the withdrawing Member's interest. The purchase amount of any buyout of a Member's interest will be determined as outlined in the Valuation of Interest section of this Agreement. It remains incumbent on the withdrawing Member to exercise this right in good faith and to minimize any present or future harm done to the remaining Members as a result of the withdrawal.
35. Involuntary Withdrawal: Events leading to the involuntary withdrawal of a Member (the "Dissociated Member") from the Company will include but not be limited to: death of a Member; Member mental incapacity; Member disability preventing reasonable participation in the Company; Member incompetence; breach of fiduciary duties by a Member; criminal conviction of a Member; Operation of Law against a Member or a legal judgment against a Member that can reasonably be expected to bring the business or societal reputation of the Company into disrepute. Expulsion of a Member can also occur on application by the Company or another Member, where it has been judicially determined that the Member: has engaged in wrongful conduct that adversely and materially affected the Company's business; has wilfully or

persistently committed a material breach of the Operating Agreement or of a duty owed to the Company or to the other Members; or has engaged in conduct relating to the Company's business that makes it not reasonably practicable to carry on the business with the Member. The withdrawal of such Member will have no effect upon the continuance of the Company business. If the remaining Members elect to purchase the interest of the withdrawing Member, the remaining Members will serve written notice of such election, including the purchase price and method and schedule of payment for the withdrawing Member's interest, upon the withdrawing Member, their executor, administrator, trustee, committee or analogous fiduciary within a reasonable period after acquiring knowledge of the change in circumstance to the affected Member. The purchase amount of any buyout of a Member's interest will be determined as outlined in the Valuation of Interest section of this Agreement.

36. On any purchase and sale made pursuant to this section, a Dissociated Member will only have liability for Company obligations that were incurred during their time as a Member. Immediately upon purchase of a withdrawing Member's interest, the Company will prepare, file, serve, and publish all notices required by law to protect the withdrawing Member from liability for future Company obligations. Where the remaining Members have purchased the interest of a dissociated Member, the purchase amount will be paid in full, but without interest, within 90 days of the date of withdrawal. The Company will retain exclusive rights to use of the trade name and firm name and all related brand and model names of the Company.
37. The remaining Members retain the right to seek damages from a dissociated Member where the dissociation resulted from a malicious or criminal act by the dissociated Member or where the dissociated Member had breached their fiduciary duty to the Company or was in breach of this Agreement or had acted in a way that could reasonably be foreseen to bring harm or damage to the Company or to the reputation of the Company.

#### **Buyout Agreement**

38. In the event of a Member's interest in the Company becoming for sale, due to any reason, the remaining Members of the Company have a right of first purchase on the interest. The value of the interest in the Company will be determined as outlined in the Valuation of Interest section of this Agreement.



### **Assignment of Interest**

39. Where a Member's financial interest in the Company is assigned to another party who is not an existing Member, that party will be treated as a new Member. An assignment of full Membership status inclusive of all duties, obligations, and rights held by the previous Member will be governed by the conditions described under the Admission of New Members section of this Agreement.
40. In the event that a Member's interest in the company is transferred or assigned as the result of a court order or Operation of Law, the trustee in bankruptcy or other person acquiring that Member's interest in the Company will only acquire that Member's economic rights and interests and will not acquire any other rights of that Member or be admitted as a Member of the Company or have the right to exercise any management or voting interests.

### **Valuation of Interest**

41. In the absence of a written agreement setting a value, the value of the Company will be based on the fair market value appraisal of all Company assets (less liabilities) determined in accordance with generally accepted accounting procedures. This appraisal will be conducted by an independent accounting firm agreed to by all Members. An appraiser will be appointed within a reasonable period of the date of withdrawal or dissolution. The results of the appraisal will be binding on all Members. A withdrawing Member's interest will be in proportion to their profit and loss share in the Company, less any outstanding liabilities a Member may have to the Company. The intent of this section is to ensure the survival of the Company despite the withdrawal of any individual Member.
42. No allowance will be made for goodwill, trade name, patents or other intangible assets, except where those assets have been reflected on the Company books immediately prior to valuation.

### **Dissolution**

43. The Company may be dissolved by a unanimous vote of the Members. The Company will also be dissolved on the occurrence of events specified in the Act.
44. Upon Dissolution of the Company and liquidation of Company property, and after payment of all selling costs and expenses, the liquidator will distribute the Company assets to the following groups according to the following order of priority:

- a. in satisfaction of liabilities to creditors except Company obligations to current Members;
  - b. in satisfaction of Company obligations to current Members to pay debts; and
  - c. to the Members in proportion to their profit and loss share in the Company.
45. The claims of each priority group will be satisfied in full before satisfying any claims of a lower priority group. Any excess of Company assets after liabilities or any insufficiency in Company assets in resolving liabilities under this section will be resolved by the Members in proportion to the profit and loss share of each Member as set out in this Agreement.

#### **Records**

46. The Company will at all times maintain accurate records of the following:
- a. Information regarding the status of the business and the financial condition of the Company.
  - b. A copy of the Company federal, state, and local income taxes for each year (promptly after becoming available).
  - c. Name and last known business, residential, or mailing address of each Member, as well as the date that person became a Member.
  - d. A copy of this Agreement and any articles or certificate of formation, as well as all amendments, together with any executed copies of any written powers of attorney pursuant to which this Agreement, articles or certificate, and any amendments have been executed.
  - e. The cash, property, and services contributed to the Company by each Member, along with a description and value, and any contributions that have been agreed to be made in the future.
47. Each Member has the right to demand, within a reasonable period of time, a copy of any of the above documents for any purpose reasonably related to their interest as a Member of the Company, at their expense.

#### **Books of Account**

48. Accurate and complete books of account of the transactions of the Company will be kept and at all reasonable times be available and open to inspection and examination by any Member. The Books of Account will be kept on the cash basis method of accounting.

#### **Banking and Company Funds**

49. The funds of the Company will be placed in such investments and banking accounts as will be designated by the Members. All withdrawals from these accounts will be made by the duly authorized agent or agents of the Members as agreed by unanimous consent of the Members. Company funds will be held in the name of the Company and will not be commingled with those of any other person or entity.

#### **Audit**

50. Any of the Members will have the right to request an audit of the Company books. The cost of the audit will be borne by the Company. The audit will be performed by an accounting firm acceptable to all the Members. Not more than one (1) audit will be required by any or all of the Members for any fiscal year.

#### **Fiscal Year End**

51. The fiscal year end of the Company is the 1st day of January.

#### **Tax Treatment**

52. This Company is intended to be treated as a partnership, for the purposes of Federal and State Income Tax.

#### **Tax Matters Partner**

53. The tax matters partner will be Paul Larkin, (the "Tax Matters Partner"). The Tax Matters Partner will prepare, or cause to be prepared, all tax returns and reports for the Company and make any related elections that the Members deem advisable.
54. A Tax Matters Partner can voluntarily withdraw from the position of Tax Matters Partner or can be appointed or replaced by a majority of the Voting Members. In the event of a withdrawal of the Tax Matters Partner from the Company, the remaining Members will appoint a successor as soon as practicable.

### **Annual Report**

55. As soon as practicable after the close of each fiscal year, the Company will furnish to each Member an annual report showing a full and complete account of the condition of the Company including all information as will be necessary for the preparation of each Member's income or other tax returns. This report will consist of at least:
- a. A copy of the Company's federal income tax returns for that fiscal year.
  - b. Supporting income statement.
  - c. A balance sheet.
  - d. A cash flow statement.
  - e. A breakdown of the profit and loss attributable to each Member.

### **Goodwill**

56. The goodwill of the Company will be assessed at an amount to be determined by appraisal using generally accepted accounting procedures.

### **Governing Law**

57. The Members submit to the jurisdiction of the courts of the Commonwealth of Kentucky for the enforcement of this Agreement or any arbitration award or decision arising from this Agreement.

### **Mediation and Arbitration**

58. In the event a dispute arises out of or in connection with this Agreement, the parties will attempt to resolve the dispute through friendly consultation. If the dispute is not resolved within a reasonable period then any or all outstanding issues may be submitted to mediation in accordance with any statutory rules of mediation. If mediation is not successful in resolving the entire dispute or is unavailable, any outstanding issues will be submitted to final and binding arbitration in accordance with the laws of the Commonwealth of Kentucky. The arbitrator's award will be final, and judgment may be entered upon it by any court having jurisdiction within the Commonwealth of Kentucky.

### **Force Majeure**

59. A Member will be free of liability to the Company where the Member is prevented from executing their obligations under this Agreement in whole or in part due to force majeure, such as earthquake, typhoon, flood, fire, and war or any other unforeseen and uncontrollable event where the Member has communicated the circumstance of the event to any and all other Members and where the Member has taken any and all appropriate action to satisfy his duties and obligations to the Company and to mitigate the effects of the event.

### **Forbidden Acts**

60. No Member may do any act in contravention of this Agreement.
61. No Member may permit, intentionally or unintentionally, the assignment of express, implied or apparent authority to a third party that is not a Member of the Company.
62. No Member may do any act that would make it impossible to carry on the ordinary business of the Company.
63. No Member will have the right or authority to bind or obligate the Company to any extent with regard to any matter outside the intended purpose of the Company.
64. No Member may confess a judgment against the Company.
65. Any violation of the above forbidden acts will be deemed an Involuntary Withdrawal of the offending Member and may be treated accordingly by the remaining Members.

### **Indemnification**

66. All Members will be indemnified and held harmless by the Company from and against any and all claims of any nature, whatsoever, arising out of a Member's participation in Company affairs. A Member will not be entitled to indemnification under this section for liability arising out of gross negligence or wilful misconduct of the Member or the breach by the Member of any provisions of this Agreement.

### **Liability**

67. A Member or any employee will not be liable to the Company or to any other Member for any mistake or error in judgment or for any act or omission believed in good faith to be within the scope of authority conferred or implied by this Agreement or the Company. The Member or employee will be liable only for any and all acts and omissions involving intentional wrongdoing.

### **Liability Insurance**

68. The Company may acquire insurance on behalf of any Member, employee, agent or other person engaged in the business interest of the Company against any liability asserted against them or incurred by them while acting in good faith on behalf of the Company.

### **Life Insurance**

69. The Company will have the right to acquire life insurance on the lives of any or all of the Members, whenever it is deemed necessary by the Company. Each Member will cooperate fully with the Company in obtaining any such policies of life insurance.

### **Actions Requiring Unanimous Consent**

70. Actions requiring the unanimous consent of all Members will include, but not be limited to, the following:
- a. The sale of any Company asset with a fair market value over \$10,000.00.
  - b. Hiring an employee with an annual compensation over \$10,000.00.
  - c. Firing any employee.
  - d. Assignment of check signing authority.

### **Amendment of Operating Agreement**

71. No amendment or modification of this Agreement will be valid or effective unless in writing and signed by all the Members.

### **Title to Company Property**

72. Title to all Company property will remain in the name of the Company. No Member or group of Members will have any ownership interest in Company property in whole or in part.

### **Miscellaneous**

73. Time is of the essence in this Agreement.
74. This Agreement may be executed in counterparts.
75. Headings are inserted for the convenience of the parties only and are not to be considered when interpreting this Agreement. Words in the singular mean and include the plural and vice versa. Words in the masculine gender include the feminine gender and vice versa. Words in a neutral gender include the masculine gender and the feminine gender and vice versa.
76. If any term, covenant, condition or provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, it is the parties' intent that such provision be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable and the remainder of the provisions of this Agreement will in no way be affected, impaired or invalidated as a result.
77. This Agreement contains the entire agreement between the parties. All negotiations and understandings have been included in this Agreement. Statements or representations that may have been made by any party to this Agreement in the negotiation stages of this Agreement may in some way be inconsistent with this final written Agreement. All such statements have no force or effect in respect to this Agreement. Only the written terms of this Agreement will bind the parties.
78. This Agreement and the terms and conditions contained in this Agreement apply to and are binding upon the Member's successors, assigns, executors, administrators, beneficiaries, and representatives.
79. Any notices or delivery required here will be deemed completed when hand-delivered, delivered by agent, or seven (7) days after being placed in the post, postage prepaid, to the parties at the addresses contained in this Agreement or as the parties may later designate in writing.

80. All of the rights, remedies and benefits provided by this Agreement will be cumulative and will not be exclusive of any other such rights, remedies and benefits allowed by law.

**Definitions**

81. For the purpose of this Agreement, the following terms are defined as follows:
- a. "Additional Contribution" means Capital Contributions, other than Initial Contributions, made by Members to the Company.
  - b. "Capital Contribution" means the total amount of cash, property, or services contributed to the Company by any one Member.
  - c. "Initial Contribution" means Capital Contributions made by any Member to acquire an interest in the Company.
  - d. "Net Profits or Losses" means the net profits or losses of the Company as determined by generally accepted accounting principles.
  - e. "Operation of Law" means rights or duties that are cast upon a party by the law, without any act or agreement on the part of the individual including, but not limited to, an assignment for the benefit of creditors, a divorce, or a bankruptcy.
  - f. "Principal Office" means the office whether inside or outside the Commonwealth of Kentucky where the executive or management of the Company maintain their primary office.
  - g. "Voting Members" means the Members who belong to a Membership class that has voting power.

**IN WITNESS WHEREOF** the parties have duly affixed their signatures under hand and seal on this 30th day of June, 2014.

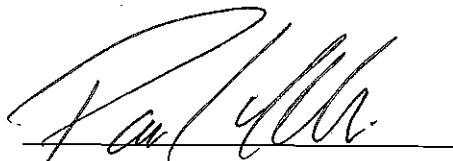
**SIGNED, SEALED, AND DELIVERED**

in the presence of:



Witness: Kimberly D. Flora (Sign)

Witness Name: Kimberly D. Flora



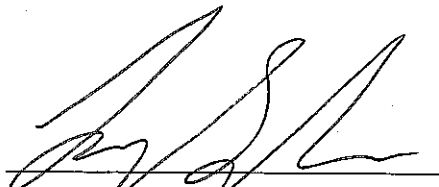
Paul Larkin ((Member))

**SIGNED, SEALED, AND DELIVERED**

in the presence of:

Witness: Pam Harryman (Sign)

Witness Name: Pam Harryman



Rob Sparkman ((Member))