

OPERATING AGREEMENT
of
CHURCH HEALTH STRATEGIES, LLC

THIS OPERATING AGREEMENT ("Agreement") is made as of the ____ day of June, 2011, by and through T. David Smith and Chipley M. Thornton, as Managing Members of **CHURCH HEALTH STRATEGIES, LLC**.

1. ***Formation.***

1.1 ***Formation.*** The Members do hereby form a limited liability company ("Company") pursuant to the provisions of the Kentucky Limited Liability Company Act ("Act").

2. ***Name and Office.***

2.1 ***Name.*** The name of the Company shall be **Church Health Strategies, LLC**.

2.2 ***Principal Office.*** The principal office of the Company shall be at **2629 Shannon Trace, Lexington, Kentucky 40511** or at such other place as shall be determined by the Members. The books of the Company shall be maintained at such principal place of business or such other place that the Members shall deem appropriate. The Company shall designate an agent for service of process in Kentucky in accordance with the provisions of the Act.

3. ***Purposes and Term.***

3.1 ***Purposes.*** The Company is organized to engage in any business permitted under the Act.

3.2 ***Company's Power.*** In furtherance of the purposes of the Company as set forth in Section 3.1, the Company shall have the power to do any and all things whatsoever necessary, appropriate or advisable in connection with such purposes, or as otherwise contemplated in this Agreement.

3.3 ***Term.*** The term of the Company shall commence as of the date of the filing of Articles of Organization with the Kentucky Secretary of State's Office and shall continue until dissolved in accordance with Section 11.

4. ***Capital.***

4.1 ***Capital Contributions of Members.*** The initial capital contribution of the Members shall be set forth on Exhibit A attached hereto. Such capital contribution shall be made by the Members at such time as the Members shall determine. The Members may, but shall not be required to, make additional capital contributions to the Company from time to time.

4.2 **No Liability of Members.** Except as otherwise specifically provided in the Act, the Members shall not have any personal liability for the obligations of the Company. Except as provided in Section 4.1, the Members shall not be obligated to contribute to, or loan money to, the Company.

4.3 **No Interest on Capital Contributions.** The Members shall not be entitled to interest on any capital contributions made to the Company.

5. **Accounting.**

5.1 **Books and Records.** The Company shall maintain full and accurate books of the Company at the Company's principal place of business, or such other place as the Members shall determine, showing all receipts and expenditures, assets and liabilities, net income and loss, and all other records necessary for recording the Company's business and affairs. Such books and records shall be open to the inspection and examination of the Members in person or by the Members' duly authorized representatives at all reasonable times.

5.2 **Fiscal Year.** The fiscal year of the Company shall be the calendar year.

6. **Bank Accounts.**

6.1 **Bank Accounts.** All funds of the Company shall be deposited in its name into such checking, savings and/or money market accounts or time certificates as shall be designated by the Members. Withdrawals therefrom shall be made upon such signature or signatures as the Members may designate. Company funds shall not be commingled with those of any other person or entity.

7. **Net Income and Net Loss.**

7.1 **Net Income and Net Loss.** All net income or net loss of the Company shall be for the account of the Members.

8. **Federal Income Tax Election.**

8.1 **Tax Treatment.** It is the intention of the Members that for federal, state and local income tax purposes the Company be disregarded as an entity separate from the Members in accordance with the provisions of Treas. Reg. §§ 301.7701-2(c)(ii) and 301.7701-3(b)(ii). The Members shall take all actions which may be necessary or required in order for the Company to be so disregarded for income tax purposes.

9. **Distributions.**

9.1 **Distributions.** The Members shall determine, in the Members' sole discretion, the amount and timing of any distributions to the Members and whether such distributions shall be paid in cash or property.

10. ***Management.***

10.1 ***Managers.*** T. David Smith and Chipley M. Thornton are hereby appointed the Managers of the Company. The business and affairs of the Company shall be managed under the direction and control of the Managers, and all powers of the Company shall be exercised by or under the authority of the Managers. No other Person shall have any right or authority to act for or bind the Company except as permitted in this Agreement or as required by law.

10.2 ***General Powers.*** The Managers shall have the full power to execute and deliver, for and on behalf of the Company, any and all documents and instruments which may be necessary or desirable to carry on the business of the Company, including, without limitation, any and all deeds, contracts, leases, mortgages, deeds of trust, promissory notes, security agreements, and financing statements pertaining to the Company's assets or obligations, and to authorize the confession of judgment against the Company. No person dealing with a Managers need inquire into the validity or propriety of any document or instrument executed in the name of the Company by the Managers, or as to the authority of the Managers in executing the same. The Managers may fulfill any duty imposed on the Managers in this Agreement.

10.3 ***Limitation on Authority of Members.*** No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member.

10.4 ***Appointment, Removal or Resignation of Manager.*** The Members shall, at all times, have the right to appoint a Manager. The Members shall, at all times, have the right to remove a Manager. In the event that a Manager is removed, resigns or is otherwise unable or unwilling to serve, the Members shall have the right to appoint a new Manager to fill that vacancy.

11. ***Dissolution.***

11.1 ***Dissolution.*** The Company shall dissolve upon, but not before, the decision of the Members to dissolve the Company. Dissolution of the Company shall be effective upon the date on which the event giving rise to the dissolution occurs, but the Company shall not terminate until the assets of the Company shall have been distributed as provided in Section 11.3. Notwithstanding dissolution of the Company, prior to the liquidation and termination of the Company, the Company shall continue to be governed by this Agreement.

11.2 ***Sale of Assets Upon Dissolution.*** Following the dissolution of the Company, the Company shall be wound up and the Members shall determine whether the assets of the Company are to be sold or whether some or all of such assets are to be distributed to the Members in kind in liquidation of the Company.

11.3 ***Distributions Upon Dissolution.*** Upon the dissolution of the Company, the properties of the Company to be sold shall be liquidated in orderly fashion and the proceeds thereof, and the property to be distributed in kind, shall be distributed as follows:

- (a) First, to the payment and discharge of all of the Company's debts

and liabilities, to the necessary expenses of liquidation and to the establishment of any cash reserves which the Members determines to create for unmatured and/or contingent liabilities or obligations of the Company.

(b) Second, to the Members.

12. ***Assignment***

12.1 ***Assignment of Members' Interest.*** The Members may freely sell, assign, transfer, pledge, hypothecate, encumber or otherwise dispose of the Members' interest in the Company. Upon the death or adjudication of incompetency of a Member, the successor-in-interest to the deceased Member shall automatically become a substitute Member.

13. ***General.***

13.1 ***Amendment.*** This Agreement may be modified or amended from time to time only upon the written consent of the Members.

13.2 ***Captions; Section References.*** Section titles or captions contained in this Agreement are inserted only as a matter of convenience and reference, and in no way define, limit, extend or describe the scope of this Agreement, or the intent of any provision hereof. All references herein to Sections shall refer to Sections of this Agreement unless the context clearly requires otherwise.

13.3 ***Number and Gender.*** Unless the context otherwise requires, when used herein, the singular shall include the plural, the plural shall include the singular, and all nouns, pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, as the identity of the person or persons may require.

13.4 ***Severability.*** If any provision of this Agreement, or the application thereof to any person, entity or circumstances, shall be invalid or unenforceable to any extent, the remainder of this Agreement, and the application of such provision to other persons, entities or circumstances, shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

13.5 ***Binding Agreement.*** Except as otherwise provided herein, this Agreement shall be binding upon, and inure to the benefit of, the Members and their successors and assigns.

13.6 ***Applicable Law.*** This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Kentucky without regard to its conflict of laws rules.

13.7 ***Entire Agreement.*** This Agreement contains the entire agreement with respect to the subject matter hereof.

IN WITNESS WHEREOF, the Members have duly executed this Agreement as of the date and year first above written.

CHURCH HEALTH STRATEGIES, LLC

Church Health Strategies, LLC,
its managing members:

By: 
T. David Smith

Title: Managing Member

By: 
Chipley M. Thornton

Title: Managing Member

Exhibit A

<u>Member</u>	<u>Initial Interest</u>	<u>Amount of Capital Contribution</u>
T. David Smith	50%	\$50.00
Chiple M. Thornton	50%	\$50.00