

## **LEXINGTON INVESTMENT GROUP, LLC**

<b>Name</b>	2
<b>Registered Agent</b>	2
<b>Principal Place of Business</b>	2
<b>Purpose</b>	2
<b>Mission Statement</b>	2
<b>Powers</b>	2
<b>Duration</b>	2
<b>Management of LLC</b>	2
<b>Tax Matter</b>	3
<b>Meetings of the Members</b>	3
<b>Officers of the LLC</b>	3
<b>Limited Liability of Members; Liability of Members to LLC</b>	4
<b>Contracting Debts</b>	4
<b>Contributions to Capital</b>	5
<b>Profits and Distributions</b>	6
<b>Addition of New Members</b>	6
<b>Investment Committee</b>	7
<b>Other Committees</b>	7
<b>Additional Contributions to Capital</b>	7
<b>Selection of Investments</b>	7
<b>Withdrawal of Members</b>	8
On Death	8
Hardship	8
<b>Net Worth of LLC.</b>	8
<b>Forbidden Acts</b>	9
<b>Removal of Members</b>	9
<b>Transferability of Interests</b>	9
<b>Dissolution</b>	10
<b>Distribution of Assets Upon Dissolution</b>	11
<b>Fiscal Year</b>	11
<b>Accounting</b>	11
<b>Restrictions on Power of Members</b>	11
<b>Indemnity</b>	11
<b>Successors</b>	12
<b>Notices</b>	12
<b>Applicable Law</b>	12
<b>Validity</b>	12
<b>Amendments</b>	12

**OPERATING AGREEMENT  
OF  
LEXINGTON INVESTMENT GROUP, LLC**

The undersigned, hereinafter referred to as the "members," shall conduct a limited liability company, hereinafter referred to herein as "LLC," at its principal office in Nebraska, pursuant to the provisions hereof and according to the LLC's Articles of Organization and the laws of the State of Nebraska

1. **Name.** The name of the LLC shall be Lexington Investment Group, LLC.
2. **Registered Agent.** The name and address of the LLC's registered agent, in Nebraska, is:  

---
3. **Principal Place of Business.** The address of the principal place of business of the LLC in Nebraska is the address of its registered agent; however, the address of the principal place of business of the LLC is:  

---
4. **Purpose.** The purpose for which the LLC is organized is: To engage in and to do any lawful act concerning any and all lawful business, other than banking or insurance, for which a limited liability company may be organized under the laws of Nebraska; and to acquire, purchase, lease, or otherwise hold and own, and manage oil and gas interests, or other mineral interests and real property.
5. **Mission Statement.** It is the intent of the LLC to make investments in the Lexington area which will be beneficial both to the membership and to the Lexington area as a whole.
6. **Powers.** The LLC shall have all powers as set forth in the Articles of Organization and any and all powers enumerated in the Nebraska Limited Liability Company Act as the same has been enacted and amended from time to time.
7. **Duration.** The period of duration of the LLC shall be perpetual.
8. **Management of LLC.** The Limited Liability Company shall be managed by the members in proportion to their contribution of the capital in the LLC, as adjusted from time to time to properly reflect any additional contributions or withdrawals by its members.

9. **Tax Matter.** \_\_\_\_\_ is hereby appointed and authorized to perform all duties imposed by Sections 6221 and 6232 of the Code as "tax matter partner" of the Limited Liability Company. The Limited Liability Company shall indemnify, to the full extent permitted by law, \_\_\_\_\_ from and against any damages and losses (including attorney fees) arising out of or incurred in connection with any action taken or omitted to be taken by him in carrying out his responsibilities as tax matter partner, provided such action taken or omitted to be taken does not constitute fraud, gross negligence or willful misconduct.
10. **Meetings of the Members.** The members shall meet annually on the second Thursday of January commencing in 2005 for the purpose of electing the officers of the LLC. Each member shall be entitled to vote in accordance with the percentage of ownership in the LLC as of 1st day of January. A majority in interest of the members shall constitute a quorum and the vote of such majority shall constitute the act of the members. Members may vote by written proxy. Members may also conduct business by unanimous written consent of all of the members.
11. **Officers of the LLC.** The officers of the LLC shall be a President, Vice President, Secretary and Treasurer. They shall be elected annually by the members. The duties and responsibilities of the officers are as follows:

President - The President shall be the principal officer of the LLC and shall carry out the direct operations of the LLC. The President shall preside at all meetings of the members. The President shall have such other duties and responsibilities as may be prescribed by the members from time to time.

Vice-President - The Vice President shall serve in the absence of the President.

Secretary - The Secretary of the LLC shall:

- (a) keep the minutes of the meetings of the members and the officers ;
- (b) see that all notices are given in accordance with the provisions of this agreement;
- (c) be custodian of the LLC records;
- (d) keep a record of the names and addresses of the members;
- (e) in general, perform all the duties of the Secretary and such other duties as may from time to time be assigned by the members .

Treasurer - The Treasurer of the LLC shall:

- (a) in general, have charge and custody and be responsible for all funds, securities, and property of the LLC;

(b) receive and give receipt for monies due and payable to the LLC from any source whatsoever and deposit all such monies in such banks or other depositories as shall be selected by the members ; and

(c) in general, perform all the duties of the Treasurer and such other duties as may from time to time be assigned by the members .

12. **Liability of Members; Liability of Members to LLC.**

A. The members of the LLC are not liable under judgment, decree or order of a court, or in any other manner for a debt, obligation or liability of the LLC.

B. However, a member is liable to the LLC:

(1) For the difference between the contributions to capital of the member as actually made and stated in the Articles of Organization as having been made; and

(2) For any unpaid contribution to capital which a member agreed to make in the future at the time and on the conditions stated in the Articles of Organization or this Operating Agreement.

C. A member holds as trustee for the LLC:

(1) Specific property stated in the Articles of Organization as contributed by such member, but which was not contributed or which has been wrongfully or erroneously returned; and

(2) Money or other properly wrongfully paid or conveyed to such member on account of the contribution of the member.

D. The liabilities of the member set forth above in paragraph B can be waived or compromised only by the consent of all members; but such waiver or compromise shall not affect the right of a creditor of the LLC who extended credit or whose claims arose after the filing and before a cancellation or amendment of the Articles of Organization to enforce the liabilities of such member to the LLC.

E. When a member has rightfully received the return in whole or in part of a capital contribution, the member is nevertheless liable to the LLC for any sum, not in excess of the returned capital with interest, necessary to discharge its liability to all creditors of the LLC who extended credit or whose claims arose before such return of capital.

13. **Contracting Debts.** No debt shall be contracted or liability incurred by or on behalf of the LLC except by a vote of the members or an officer acting in the normal course of business.

**14. Contributions to Capital.**

- A. The contributions to capital of a member to the LLC, either initially or thereafter, may consist of cash or other property, but not services. The total amount of capital contributed by each of the members as initial capital is set forth on Exhibit "A" to the Articles or Organization. Their respective capital account shall be appropriately credited on the LLC books of account to reflect such capital contributions as members.
- B. An individual capital account shall be maintained for each member. The capital interest of each member shall consist of the member's original net contribution by (a) the member's additional contributions to capital, if any, and (b) the member's share of LLC profits transferred to capital, if any, and decreased by (c) distribution to the member in reduction or withdrawal of capital, if any.
- C. An individual profit account shall be maintained for each member. All profits of the LLC shall be accumulated in the accounts and allocated to the members as hereinafter provided. It shall be increased by the member's share of current profits, if any, and it shall be decreased by the member's share of current losses and by transfers to capital or from the member's drawing account. A credit balance in this account shall constitute a liability to the member and shall not constitute a part of the member's capital. If, after the net profit or the net loss of the LLC for the fiscal year has been determined, a member's profit account shows a deficit (a debit balance), whether occasioned by drawings in excess of the member's share of LLC profits or for any other reason, the deficit shall constitute an obligation of that member to the LLC, but only to the limit of the member's capital account and shall not reduce the member's capital account or interest in the capital of the LLC. Any deficit in the profit basis of a personal liability of the member to the LLC or its successors. Payment of any amount owing to the LLC by such member shall be made in a manner and time determined by the members; provided that such drawing account shall not operate in contravention of the withdrawal or reduction of a member's contribution provisions contained in the Nebraska Limited Liability Company Act.
- D. An individual drawing account shall be maintained for each member. All withdrawals made by a member shall be charged to the member's drawing account. Each year an amount sufficient to reduce the drawing account to zero will be transferred from the member's profit account.
- E. A member shall not receive out of LLC property any part of the member's contribution to capital until all liabilities of the LLC, except liabilities to members on account of

their contributions to capital, have been paid or there remains property in the LLC sufficient to pay them; and

- F. Subject to the limitations set forth in this paragraph, a member may rightfully demand the return of the member's contribution, after the member has given all other members of the LLC six (6) months' prior notice in writing.
- G. Without the prior written consent of all members of the LLC, a member, irrespective of the nature of the member's contribution, has only the right to demand and receive cash in return for the member's contribution to capital.
- H. A member of the LLC may have the LLC dissolved and its affairs satisfied when, (i) the member has rightfully, but unsuccessfully, demanded the return of the member's contribution; or (ii) the liabilities of the LLC have not been paid, or the LLC property is insufficient for their payment and the member would otherwise be entitled to the return for the member's contribution.

15. **Profits and Distributions.**

- A. Members shall not receive salaries or compensation from the LLC in their capacities as members.
- B. The LLC's net profits and losses, established through the use of generally accepted accounting principles, shall be allocated to the members in proportion to the balances in their respective capital accounts (before taking into account the amount to be allocated for the current period) at the end of each fiscal year, and the aggregate share of the income, deductions, and credits of the LLC allocable in a particular fiscal year to the members shall be so allocated among them.

50% of the net taxable earnings of the LLC shall be distributed annually within 30 days of completion of the LLC tax return. Provided, however, that a majority of the members at the annual meeting of the LLC may require a larger distribution of earnings or require that earnings be retained by the LLC and transferred to individual profit accounts for the reasonable needs of the business.

It is expressly provided herein that distribution of the LLC's profits may be made only if assets of the LLC shall be in excess of all liabilities of the LLC, except liabilities to members on account of their contributions.

16. **Addition of New Members.** Members of the LLC shall admit new members as provided in the Articles of Organization. Upon the admission of a new member, as herein provided, the member's capital account as a member shall be considered the member's capital

contribution as a member, and appropriate entries made to reflect such transfer on the LLC books of account.

17. **Investment Committee.** An investment committee of not less than three (3) members shall be selected by the president to review each investment proposed to the LLC. In presenting a report on an investment, it is not necessary that the committee be prepared to recommend for or against the investment, but should be prepared to answer relevant questions of other members.

18. **Other Committees.** The LLC may from time to time appoint such other committees as may be necessary to carry on the business of the LLC.

19. **Additional Contributions to Capital.**

A. Monthly Dues. Each member of the LLC shall pay to the treasurer the sum of one hundred dollars (\$100.00) per month. Payments shall be made by establishing an automatic deposit.

The amount of such dues may be changed from time to time at any regular meeting by a three-fourths (3/4) vote of the members of the LLC.

The LLC shall have a lien upon the interest of each member for the payment of such assessment as well as any other amounts due to the LLC from such member.

From time to time it may be desirable to make additional contributions to capital. Any additional contributions to capital shall require the approval of a three-fourths (3/4) vote of the members of the LLC

B. Failure to Pay Assessment. Any member who fails to pay any assessment when it becomes due and payable, or any fine provided for by this agreement, and who shall continue in default in the payment of such assessment or fine, for a period of thirty days after notice thereof has been mailed to him, shall be considered to have tendered his resignation from the LLC. Such resignation may be accepted by a majority vote of the members present at any regular meeting. Such member shall be paid his entire interest in the LLC, minus twenty percent (20%) withdrawal penalty within sixty (60) days after the date of the meeting at which such resignation is accepted.

20. **Selection of Investments.** The purchase of any investment or the sale of any investment owned by this LLC may be authorized by a two-thirds (2/3) majority vote of the members (including those represented by proxies) present at any regular or duly called special meeting. Provided, however, that the purchase of any investment which requires the LLC to incur debt shall require a three-fourths (3/4) majority.

- A. Procedure. The procedure for selection of an investment at any meeting shall be as follows:
1. Report of the investment committee will first be heard.
  2. Any other member shall then be given an opportunity to speak for or against the investment.
  3. A vote shall then be taken to determine the purchase of the investment. A motion shall be in order specifying the amount to be invested.

21. **Withdrawal of Members.**

The LLC shall make every effort to help any member sell his or her interest in the LLC should he or she wish to withdraw. However, the LLC shall only guarantee the members right to withdraw one time a year, unless there is a death or showing of undue hardship.

Such resignation shall be presented to the president of the LLC at least two weeks before the annual meeting . The interest of each member in the LLC shall be his pro-rated share of the net worth of the LLC, determined as herein provided. Such retiring member shall be paid for his or her interest in the LLC, within sixty (60) days after the date of the meeting at which his resignation was accepted. The resigning member shall receive his entire interest less a withdrawal penalty as follows:

- Ten percent (10%) withdrawal penalty during the first year of membership
- Five percent (5%) withdrawal penalty during the second through fifth year of membership
- There shall be no penalty after five full years of membership in the LLC.

- A. On Death. Upon the death of any member of the LLC, the value of his interest shall be paid to the surviving joint tenant or to the Personal Representative of such member's estate. Payment shall be made within sixty (60) days following the next duly called meeting. A surviving joint tenant who has signed this agreement shall be permitted to retain the interest and remain as a member of the LLC.
- B. Hardship. Any member shall have the right to request the LLC to release his interest in the LLC without penalty by showing circumstances which would create undue hardship on the retiring member. A majority vote of the members at any duly called meeting will be sufficient to release the funds.

22. **Net Worth of LLC.** The net worth of the LLC shall be established each year by the members at the annual meeting of the members.



23. **Forbidden Acts.** No member shall:

- A. Have the right or authority to bind or obligate the LLC to any extent whatsoever with regard to any matter outside the scope of the LLC business.
- B. Assign, transfer, pledge, mortgage or sell all or part of his interest in the LLC to any other person whomsoever without prior approval of the LLC as herein provided.
- C. Purchase an investment for the LLC where less than the full purchase price is paid.
- D. Use the LLC name, credit or property for other than LLC purposes.
- E. Do any act detrimental to the interests of the LLC or which would make it impossible to carry on the business or affairs of the LLC.

24. **Removal of Members.** Any member of the LLC may be expelled from the LLC by the approval of two-thirds (2/3) of the total members. In determining the necessary two-thirds (2/3), written proxies will be counted.

The expelled member will be paid the value of his interest as determined within sixty (60) days.

25. **Transferability of Interests.** In the absence of unanimous written consent by the members, any member desiring to transfer, assign, pledge or in any other manner whatsoever, alienate all or part of the member's interest, shall communicate such intention in writing to all other members stating in detail the name of the person to whom the transfer is proposed, the purchase price proposed for the transfer, the terms of payment and shall attach to that notice the written offer of the prospective purchaser to buy the interest. Within thirty (30) days after the date of such notice, the LLC may purchase, at its option, all or any part of such member's interest; and if the LLC elects not to purchase all of such interest, then the other members at that time may purchase, at their option, all or any part of such interest within sixty (60) days of such notice. If more than one member shall desire to acquire said interest and no agreement is reached regarding the portion of the same to be acquired by each, said members shall acquire said interest in the proportion which their respective participation in the capital of the LLC bears to each other. If, after the lapse of sixty (60) days from the date of the notice, none of the other members have communicated their desire to acquire any of the interest proposed to be transferred, then the selling member may consummate the proposed transfer of interest. Provided, however, that if such sale is not consummated within sixty (60) days after lapse of the LLC's option to purchase, no such sale shall be permitted without again offering the interest to the LLC in the

foregoing manner. The costs of filing an amendment to the Articles of Organization if required by law and all other expenses incident to the admission of the transferee to the LLC as a member shall be charged to and paid by such transferee.

**26. Dissolution.**

A. This LLC shall be dissolved upon the occurrence of any of the events:

- (1) When the period fixed for the duration of the LLC shall expire;
- (2) By the unanimous written agreement of all of the members; or
- (3) Upon the death, retirement, resignation, expulsion, bankruptcy, or dissolution of a member or occurrence of any other event which terminates the continued membership of a member in the LLC; provided, however, the members individually and collectively agree that, pursuant to the right to continue the LLC as provided in the Articles of Organization, the members hereby constitute and appoint the officers as agents to take all necessary steps to continue the LLC.
- (4) As soon as possible following the occurrence of any of the events as provided in subparagraphs (1), (2), and (3) hereinabove, pursuant to which the LLC will not be continued, the LLC shall execute duplicate originals of a statement of intent to dissolve in such form as shall be prescribed by the Secretary of State of the State of Nebraska and the same shall be delivered to that office.

B. Upon the dissolution or termination of the LLC, as aforesaid, a financial statement shall be prepared by the LLC's accountants, which statement shall set forth the LLC's asset's and liabilities, and a copy of such statement shall be furnished to each of the members within a reasonable time thereafter. Assets shall be liquidated by the members acting as liquidating trustee(s) as necessary to make payments to creditors. Otherwise, distribution may be made to the members in kind at fair market values in satisfaction of the interests of such members. If a member has died or become bankrupt the remaining members shall act as liquidating trustees, and if there is no remaining member, then the liquidating trustee shall be such person as the persons then holding a majority in capital interest of the LLC shall designate. The liquidating trustee shall apply all LLC assets and proceeds therefrom in accordance with the provisions of the Nebraska Limited Liability Company Act.

The member of liquidating trustee shall have the power and authority to make, execute, acknowledge and file all documents required to effectuate the dissolution and termination of the LLC; and each of the members hereby irrevocably constitutes and

appoints the liquidating trustee as true and lawful attorney of the member in such respect.

- C. When all debts, liabilities and obligations have been paid and discharged or adequate provision has been made therefore and all of the remaining property and assets have been distributed to the members, Articles of Dissolution shall be executed in duplicate, verified by the person signing the statement, and delivered to the Secretary of the State, State of Nebraska, or as otherwise required by law.

27. **Distribution of Assets Upon Dissolution.** In settling account after dissolution, the liabilities of the LLC shall be entitled to payment in the following order:

- A. Those to creditors in the order of priority as provided by law, except those to members of the LLC on account of their contributions;
- B. Those to members of the LLC in respect of their share of the profits and other compensation by way of income on their contributions; and
- C. Those to members of the LLC in respect of their contributions to capital. Members shall share in the LLC assets in respect to their claims for capital and in respect to their claims for profits or for compensation by way of income on their contributions, in proportion to the respective amounts of the claims.

28. **Fiscal Year.** The fiscal year of the LLC shall be the calendar year.

29. **Accounting.** The Treasurer shall at all times during the term of the LLC maintain full and accurate books of account in which shall be entered all the transactions of the LLC; the books of account shall be kept at the principal office of the LLC, and shall be open to reasonable inspection and examination by the members and their duly authorized representatives during normal business hours. The LLC shall deliver to each member within sixty (60) days after the expiration of each LLC fiscal year a statement of receipts and expenses as prepared by the accountants chosen by the members, together with a statement reflecting the net profits or losses of the LLC for such fiscal year for federal income tax purposes and each member's allocated share of such profits.

30. **Restrictions on Power of Members.** The members may not, without the written consent of all the members, do any act in contravention of this Agreement or which would make it impossible to carry on the ordinary business of the LLC.

31. **Indemnity.** The LLC, according to provisions of law or the provisions hereof, shall pay on behalf of or shall indemnify every member, and officer and the heirs, executors, administrators, successors or assigns of such persons for all expenses actually and

reasonably incurred or liability incurred by such persons in connection with the defense of any claim, suit or proceeding, civil or criminal, in which such persons may be made a party by reason of being or having been a member, or officer of the LLC, except in relation to matters as to which such persons shall be finally adjudged in such claim, action, suit or proceeding to be liable for fraud, dishonesty or acts in bad faith. In the event of a settlement before or after action or suit, such payment or indemnification shall be provided only in connection with such matters covered by the settlement as to which the LLC is advised by counsel that the persons to be indemnified were not guilty of such fraud, dishonesty or acts in bad faith. The foregoing right of payment for indemnification shall not exclude other rights to which the persons may be entitled.

32. **Successors.** This agreement and all of the terms and provisions thereof shall be binding upon the members and new members who subsequently execute the same, and their respective legal representatives, heirs, successors and assigns.
33. **Notices.** All notices or other communications under this agreement shall be in writing and shall be considered properly given if mailed by registered or certified United States Mail, postage prepaid, addressed in care of the respective members at their last-known address. Notice of change of address shall be given to the LLC by registered or certified United States Mail, after the date of receipt of which notice, the change of address shall be effective. When notice is required to be given to a member of the LLC, a waiver in writing signed by the person or persons to which the notice is to be given, whether before or after the time stated in it, is equivalent to the giving of notice.
34. **Applicable Law.** This agreement and the rights of the members thereunder shall be construed and interpreted under the laws of the State of Nebraska.
35. **Validity.** In the event that any provision of this agreement is held invalid by a court of competent jurisdiction, such holding shall not affect in any manner the validity of the other provisions.
36. **Amendments.** Except as to those matters requiring unanimous consent of members, upon the approval of those members then holding a three-fourths (3/4) majority in capital interest of the LLC, amendments to this agreement may be adopted, and each member shall promptly execute such amendment or other documents as the LLC deems appropriate to reflect such amendments under the laws of the State of Nebraska.

**IN WITNESS WHEREOF**, this Operating Agreement is executed this \_\_\_\_ day of \_\_\_\_\_, 2011.

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---

---