ANOMALY1, LLC
A North Carolina Limited Liability Company

Summary of the following Operating Agreement (NOTE: <u>this summary is for convenience only</u> and is NOT to be deemed a part of the Operating Agreement that follows below):

1. **Entity: Anomaly1, LLC.**
2. **Business: Film/TV/video and may extend to any lawful business activity.**
3. **Manager: Co-Manager John Allen, Jr. and Co-Manager Lee Muhl**
4. **Members: Lee Muhl and John Allen, Jr.**
5. **Domicile: North Carolina**
6. **Registered Agent for Documents: John Allen, Jr.** [redacted]
7. **Principal place of business: c/o John Allen, Jr.** [redacted] **Tel.** [redacted]
8. **Backup Office: c/o Lee Muhl,** [redacted] **Tel.** [redacted]
9. **Initial Capitalization: Numerous formation expenses paid or contributed by the Manager**
10. **Company Assets on Formation: one or more licenses in screenplay and story intellectual property from Co-Manager Lee Muhl, website, along with multiple marketing materials, operating agreement, financial models, business plans, presentation decks from Co-Manager John Allen, Jr. and Co-Manager Lee Muhl**

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[If Amended]

Date	Amendment #	Amended By	Approved By

Introductory Notes

This Operating Agreement and Exhibits "A" through "C" (the "Agreement") of Anomaly1, LLC (the "Company"), dated as of July 24, 2026 and effective as of said date (the "Effective Date"), is made by and among Lee Muhl and John Allen, Jr. (each a Co-Manager, and collectively referred to as the "Manager"), and all other Persons (the "Non-Managers") who at any time become Members in accordance with the terms and conditions of this Agreement (the Manager and the Non-Managers are sometimes collectively referred to herein as the "Members"). This Agreement shall be amended from time to time in the manner set forth herein, and/or to reflect the admission of additional Members.

1. **Definitions**

Capitalized terms used in this Agreement shall have the following meanings and if not so defined shall have the meanings specified in the Act:

"Act" shall mean the North Carolina Limited Liability Company Act, as amended from time to time.

"Affiliate" shall mean, with reference to a Person, any other Person directly or indirectly controlling or controlled by, or under direct, or indirect, common control with such Person. For the purposes of this Agreement, the term "control" (including "controlling", "controlled by" and "under common control with") means either: (i) the possession, direct or indirect, of the power to direct or cause the direction of the management and the policies of a Person, whether through the ownership of voting securities, by contract or otherwise; or (ii) direct or indirect ownership of twenty-five percent (25%) or more of the outstanding voting interest of a Person. Without limiting the generality of the preceding sentence, by way of example(s) and for the avoidance of doubt, an Affiliate may include (a) a business entity partly or wholly-owned by the Company and another Person, but managed by the Company, and/or (b) a subsidiary film project SPE-LLC partly or wholly-owned by the Company, or partly or wholly-owned by a business entity referred to in Clause (a) above.

"Agreement" shall mean this Operating Agreement, as amended from time to time.

"Acquisition" shall mean a merger or acquisition transaction (AKA a "control event") in which the majority ownership of the Company passes to the acquiring entity.

"Allocation Date" shall mean the earlier of (i) July 24, 2026 or (ii) the date upon which Loan Documents authorizing a lending transaction for the Company's initial slate of one (1) or more films are executed by the Company and the lender, without regard to any subsequent amendment, modification or supplementation of the Loan Documents that may occur after the Allocation Date.

"Bankruptcy Action" shall mean, with respect to the affected Person: (i) the entry of an Order for Relief under Title 11 of the United States Code (the "Bankruptcy Code"), as amended; (ii) the admission by such Person of its inability to pay its debts as they mature; (iii) the making by such Person of an assignment for the benefit of creditors; (iv) the filing by such Person of a petition in bankruptcy or a petition for relief under the Bankruptcy Code or any other applicable federal or state

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bankruptcy or insolvency statute or any similar law; (v) the expiration of sixty (60) days after the filing of an involuntary petition under the Bankruptcy Code or an involuntary petition seeking liquidation, reorganization, arrangement or readjustment of its debts under any other federal or state insolvency law; provided however, that the same shall not have been vacated, set aside or stayed within such sixty (60)-day period; (vi) an application or consenting to by such Person for the appointment of a receiver or other similar official for the assets of such Person; or (vii) the imposition of a judicial lien on fifty-one percent (51%) or more of such Person's assets unless such lien is discharged or vacated or the enforcement thereof stayed within thirty (30) days after its effective date.

"Business" shall mean the business of the Company as set forth in Section 3.1.

"Business Plan" shall mean the specific business plan adopted by the Manager, from time to time, for the operation and management of Company, including, without limitation, any capital budgets, and any operating budgets for the operation of the Company, any promotional and advertising materials relating to the Company, the acquisition, lease, funding, financing, restructuring or disposition of any asset of the Company, and the Company's compliance with the terms of each contract and agreement binding upon the Company.

"Capital Account" shall mean, the Capital Account maintained for each Member as set forth herein. The Capital Account of a transferee Member shall include the Capital Account of his transferor. Notwithstanding anything to the contrary set forth in this Agreement, the Capital Accounts shall be maintained in accordance with Treasury Regulations Section 1.704-1(b). For purposes of this Agreement, any references to the Treasury Regulations shall include corresponding subsequent provisions.

"Capital Contribution" shall mean the gross amount invested in the Company by a Member, in accordance with the terms of this Agreement, which may be in cash, tangible property, intangible and/or intellectual property.

"Capital Expenditures" shall mean, for any given period, (i) other than expenditures funded from Capital Reserves, all cash expenditures by the Company that (a) under generally accepted accounting principles ("GAAP"), consistently applied, or (b) as otherwise approved in writing by the Manager, constitute Capital Expenditures for such period in connection with the ownership, operation and maintenance of the Company Property, and (ii) all Capital Reserves established during such period.

"Capital Reserves" shall mean a capital reserve account designated on the Company's balance sheet that is reserved for long-term capital investment projects or any other large and anticipated expense(s) that will be incurred in the future.

"Capital Transaction" shall mean (i) the sale, transfer, assignment, financing or refinancing of any Company Property, or any part thereof or interest therein, (ii) any casualty, condemnation or other event that causes the Company to receive any casualty insurance proceeds, condemnation awards, or (iii) any similar transaction that, in accordance with generally accepted accounting principles, consistently applied, is attributable to capital.

"Class A Common Membership Interest" shall mean the voting Membership Interests held by the Manager and which shall represent a Company Percentage Interest of one hundred percent (100%), less the Company Percentage Interests of any Class A Common Membership Interests granted by the Manager to Members other than the Manager. Holders of Class A Common Membership Interests are sometimes referred to as "Class A Common Members."

"Class B Preferred Membership Interest" shall mean the non-voting Membership Interests held by the Non-Managers which possess the Preferred Rights and which shall, initially, represent the

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percentage ownership share, or prospective ownership share, of the Company, if any, purchased in any Company offering of Class B Preferred Membership Interests to Investors. Any holders of Class B Preferred Membership Interests will hold an Economic Interest and are sometimes referred to as "Class B Preferred Members."

"Code" shall have the meaning set forth in Section 7.3 hereof.

"Company" shall have the meaning set forth in the Introductory Notes hereof.

"Company Percentage Interest" shall mean, initially, the percentage interests as set forth on Exhibit "B" annexed hereto and made a part hereof, as the same may be adjusted from time to time, such that, as of any point in time, each Member's Company Percentage Interest shall be equal to a fraction, expressed as a percentage, the numerator of which shall be the aggregate amount of the Membership Interest held by such Member as of such point in time, and the denominator of which shall be the aggregate amount of all Membership Interests held by all of the Members as of such point in time. Each Member's Company Percentage Interest shall also be adjusted from time to time to reflect the respective Company Percentage Interests among Members holding (i) Class A Common Membership Interests, and/or (ii) such other classes of Membership Interests that also include Company Percentage Interests as are authorized and issued by the Company from time to time.

"Company Property" shall mean any asset or other property (real, tangible, intangible, personal or mixed) owned, leased, controlled or licensed to or by the Company.

"Confidential Information" shall have the meaning set forth in Section 11.4 hereof, and shall be subject to the terms of Section 11.4.

"Consent" shall be subject to the terms of Section 11.10 hereof.

"Contribution Agreement" shall mean the agreement, in the form determined by the Manager from time to time, by which each Co-Manager shall evidence (i) the Capital Contribution which such Person makes to the Company, (ii) such Person's agreement to become a party to, and be bound by the provisions of, this Agreement and (iii) certain representations and/or agreements regarding the value of the Capital Contribution.

"Courts" shall have the meaning set forth in Section 11.2 hereof.

"Distribution" shall refer to any money or other property transferred without consideration (other than for repurchased or redeemed Membership Interests) to Members with respect to their Membership Interests and/or Company Percentage Interests in the Company, but shall not include any (i) payments or reimbursement to the Manager for Formation Expenses, or (ii) payments pursuant to an employment agreement with Members who are officers of the Company.

"Economic Interest" shall mean an interest in the profits, losses and Distributions of the Company but, other than with respect to an Economic Interest held by the Manager, or other Member designated by the Manager in its sole discretion to have such rights and powers, shall not include any right to vote or to participate in the management of the Company. By way of example and for the avoidance of doubt, the Manager, and/or any other Member designated by the Manager in its sole discretion to have such rights and powers, will always have the right to vote and participate in the management of the Company.

"Effective Date" shall have the meaning set forth in the Introductory Notes hereof.

"Formation Expenses" shall mean i) all costs and expenses related to the organization and formation of the Company, ii) all costs and expenses related to the Company's initial business operations including the acquisition and/or sale of intellectual property, and iii) all costs and

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expenses related to the Company's initial fundraising of equity investment, crowd-funding investment and/or debt financing.

"Good Faith" shall mean the sole standard of care applicable to acts and omissions by the Manager, and shall be defined in strict conformance with Delaware contract law without resort to any principles of a) Choice of Law, b) Conflicts of Law or c) North Carolina contract and/or corporation law. For clarity and for the avoidance of doubt, good faith as used in this Agreement shall conform precisely to the implied covenant of good faith and fair dealings, as defined by Delaware Courts under Delaware law, in application to limited liability companies, managers and members thereof, and expressly excluding any different application, or definition, of good faith relating to other Persons including, without limitation, corporations, corporate entities, corporate officers, corporate directors or corporate shareholders.

"Gross Capital Proceeds" shall mean (i) in connection with the disposition of Company Property or part thereof or any interest therein that is the subject of a Capital Transaction, the gross cash proceeds received by the Company, and (ii) as approved in writing by the Manager, any Capital Reserves established in connection with such Capital Transaction that are released but not applied to a Capital Expenditure.

"Gross Operating Receipts" shall mean, for any given period, the sum of (i) any and all cash receipts (other than Gross Capital Proceeds, any Capital Contribution and any unapplied security deposits or other deposits with respect to any Company Property) received by the Company other than in connection with a Capital Transaction, and (ii) as approved in writing by the Manager, Capital Reserves (that are not related to a Capital Transaction) and Operating Reserves that are released but not applied to the item for which they were reserved.

"Indemnified Party" shall have the meaning set forth in Section 4.10 hereof.

"Investors" may include Persons listed in Exhibit "A" hereto as Non-Managers and/or Persons listed in Exhibit "B" hereto as Class B Preferred Members.

"Liquidation" means in respect to the Company the earlier of the date upon which the Company is terminated under Section 708(b)(1) of the Code or the date upon which the Company ceases to be a going concern (even though it may exist for purposes of winding up its affairs, paying its debts and distributing any remaining balance to its Members), and in respect to a Member where the Company is not in Liquidation means the date upon which occurs the termination of the Member's entire interest in the Company by means of a distribution or the making of the last of a series of Distributions (whether or not made in more than one year) to the Member by the Company.

"Loan" shall mean any lendings(s), whether unsecured or secured by all or any portion of Company Property.

"Loan Documents" shall mean the documents and instruments executed and delivered in connection with any Loan from time to time, as the same may be amended, modified or supplemented from time to time.

"Majority Vote" shall mean the vote representing in excess of one half (1/2) or more of the Company Percentage Interests held as of the time of the vote by Voting Members. By way of example and for the avoidance of doubt, if, as of the time of a vote, Voting Members hold 80% of all Company Percentage Interests, then a Majority Vote at that point in time would be the vote of Voting Members holding more than 40% of all Company Percentage Interests.

"Manager" shall mean, jointly and collectively, (i) Lee Muhl and (ii) John Allen, Jr., along with any other Person who is admitted as an additional Manager or Replacement Manager or otherwise

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engaged to serve as Manager of the Company in accordance with the terms of this Agreement and applicable law. Each Person constituting the Manager may be referred to as a "Co-Manager."

"Member" shall have the meaning set forth in the Introductory Notes hereof and shall include any Person who is admitted as a Member of the Company in accordance with the terms of this Agreement and applicable law. Reference to a "Member" shall be to any one of the Members unless the context shall otherwise require.

"Membership Interest" shall mean a Member's interest in the Company, including such Member's right to profits, losses and Distributions, and the right, in the case of Class A Common Members that are the Manager, to participate in the management of the business and affairs of the Company, in each case to the extent granted or limited pursuant to the terms of this Agreement, together with the obligation to comply with the terms of this Agreement.

"Net Assets" shall mean the excess of the Company's assets over its liabilities.

"Net Income" and "Net Loss" shall mean net income and net loss for Federal income tax purposes.

"Non-Manager" shall mean any Class B Preferred Members and/or any Person who is admitted as a Non-Manager Member of the Company in accordance with the terms of this Agreement and applicable law. Non-Managers shall have Economic Interests, in accordance with (i) the terms of this Agreement, (ii) any other pertinent agreement ("Other Agreement"), such as a Subscription Agreement, with the Non-Manager(s) and (iii) applicable law, but shall have no rights to vote or to participate in the management of the Company. In the event of any conflict between the terms of this Agreement and any Other Agreement, the terms of this Agreement shall be controlling.

"Operating Expenses" shall mean, for any given period, the sum, without duplication, of (i) all cash expenses of the Company during such period that constitute operating expenses under generally accepted accounting principles (modified for a cash method of accounting unless the Manager in its sole discretion shall elect other than a cash method of accounting), consistently applied in connection with the ownership, creation, development, production, distribution, marketing, exploitation, operation, administration, leasing and/or maintenance of any Company Property, including, without limitation, regular periodic debt service under a Loan (including amortization), sales and/or VAT taxes, federal, state or local income taxes paid by the Company (excluding, however, any such taxes paid with respect to a Capital Transaction), insurance premiums, utility charges, maintenance expenses, any sales expenses, general and administrative expenses, and (ii) all Operating Reserves during such period.

"Operating Reserves" shall mean operating reserves deemed in the sole discretion of the Manager, from time to time, to be necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company.

"Person" shall mean any individual, partnership, corporation, limited liability company, trust or other legal entity.

"Preferred Rights" and/or "Special Rights" shall mean the rights of Class B Preferred Members as agreed to in consideration of a Class B Membership Interest.

"Redemption" shall mean the rights of the Company and/or Class B Preferred Members to redeem Class B Preferred Membership Interests as agreed to in consideration of a Class B Membership Interest.

"Replacement Manager" shall have the meaning set forth in Section 4.11 hereof.

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"Subscription Agreement" shall mean the agreement, in the form determined by the Manager from time to time, by which each Person, other than the Manager, desiring to become a Member shall evidence (i) the Membership Interest which such Person wishes to acquire and (ii) such Person's agreement to become a party to, and be bound by the provisions of, this Agreement and (iii) certain representations regarding the Person's finances and investment intent.

"Subscription Payment" means the cash payment that must accompany each Subscription Agreement.

"Subsidiary" or "Subsidiaries" shall mean any Person that is an Affiliate of the Company formed for conducting a portion of the business of the Company. By way of example and for the avoidance of doubt, a Subsidiary would include a Person described in Clauses (a) and/or (b) of the definition of "Affiliate" hereinabove.

"Tax Matters Member" shall have the meaning set forth in Section 8.15 hereof.

"Term" shall mean the term of this Agreement as set forth in Section 2.5, as the same may be extended from time to time by the Manager under Section 4.5.

"Termination Date" shall mean the Termination Date as set forth and defined in any Subscription Agreement.

"Transfer" shall have the meaning set forth in Section 9.1 hereof.

"Trigger Event" shall have the meaning set forth in Section 4.11 hereof.

"Voting Members" shall mean Persons listed in Exhibit "A" hereto as Managers and in Exhibit "B" hereto as Class A Common Members.

"Withdrawal Event" shall have the meaning set forth in Section 10.1 hereof.

2. Organization

2.1 Formation.

(i) **The Company was duly organized as a North Carolina limited liability company in or during July 2026. The Members hereby agree to operate the Company as a limited liability company under and pursuant to the provisions of the Act, subject always to the terms of this Agreement. Except as expressly provided in this Agreement, the Members' rights and obligations, and the Company's administration and termination shall be governed by the Act.**

(ii) **Due, in part, to the complexities of partnership taxation, the Manager and/or the Class A Common Members shall be accorded a period of time, not to exceed ninety (90) days, following the Effective Date to consult with tax counsel and/or CPAs in order to ensure that i) Section 8 and/or Exhibit "C" to this Agreement are in full compliance with the Code and/or ii) to elect whether any Class A Common Membership Interests shall be treated as a) capital interests and/or b) profits interests and/or c) vested or unvested interests. In the event such consultation(s) reveal(s) any material conflict between Section 8 and/or Exhibit "C" (or other Section) of this Agreement and the Code, then Section 8 and/or Exhibit "C" (or other Section) of this Agreement will be amended by the Manager in its sole discretion in order to comply with the Code. The election of the Manager and/or the Class A Common Members to treat Class A Common Membership Interests as capital interests or profits interests and/or as vested or unvested interests may, in the sole discretion of the**

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Manager, be confirmed in an amendment to this Agreement and any such amendment will be deemed operative as of the Effective Date.

2.2 Name and Place of Business.

The name of the Company shall be Anomaly1, LLC and its initial principal place of business (interim) shall be 1940 NW Miller Rd., Apt. C211, Portland, OR 97220 with a backup office at 11315 James Coy Road, Huntersville, NC 28078. From time to time, upon ten (10) days written notice to the Members, the Manager may in its sole discretion change the location of the Company's principal place of business or establish additional places of business. The Members acknowledge and hereby waive ten (10) days written notice of the fact that the Manager intends to or will amend the principal address of the Company to add one or more locations in Oregon, California, New York, North Carolina, South Carolina or other US jurisdictions, promptly following the effective date of this Agreement.

2.3 Filings.

The Manager has and shall continue to execute, deliver and file a certificate of formation (AKA Articles of Organization) and any necessary amendments thereto, and any and all certificates, documents and instruments, in each case with the North Carolina Secretary of State or otherwise as appropriate, and shall make such other filings as may be required under the Act or the laws of any other jurisdiction in which the Company shall carry on its business.

2.4 Registered Office and Registered Agent.

The Company's registered agent and address of the Company's registered office in the State of North Carolina shall be as set forth in the Company's certificates, documents and instruments filed pursuant to Section 2.3. From time to time, the Manager may designate another registered agent and/or registered office.

2.5 Term.

The term of the Company shall commence on the effective date of this Agreement, and shall continue until July 24, 2051 unless earlier terminated in accordance with the terms of this Agreement; provided that the Manager shall have the right to extend the term of the Company for up to five (5) additional ten (10)-year periods.

2.6 Tax Classification.

Initially, the Members intend the Company to be taxed as a partnership for purposes of federal and state income taxation. This classification for tax purposes shall not create or imply a general partnership, limited partnership or joint venture among the Members for federal or state law or for any other purpose. Instead the Members acknowledge the Company's status as a limited liability company formed under the Act and, unless the Company's status is changed pursuant to this Agreement and the Act, no Member shall take any position or action inconsistent with this acknowledgment.

3. Purpose and Powers of Company

3.1 Business and Purpose of the Company.

(i) The Company has been formed a) to acquire, form, operate, deliver, market, develop, finance, produce, distribute, manage, sell or otherwise dispose of intellectual property related to entertainment and/or entertainment services and products, generally aimed at offering viewers, and other users, tools and

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motivations for accessing and consuming multi-platform entertainment content and b) to engage in and carry on any lawful business purpose or activity which is required to conduct the Business that is not prohibited by the Act or other applicable law.

(ii) The Company Business Plan aims, over a period of years determined by the Manager, to conduct business activities in the following entertainment genres, in film/TV budget tiers ranging from $1 million to $30 million per production: sci-fi, fantasy, mystery, action, thriller, drama and/or horror. Unless and until changed by the Manager in its sole discretion, this shall be the Business of the Company.

3.2 Powers.

Except as otherwise set forth in this Agreement, the Company shall have the power and authority to take any and all actions deemed in the sole discretion of the Manager to be necessary, appropriate, proper, advisable, incidental or convenient to, or for the furtherance of, the Business and purposes set forth in Section 3.1 hereof, including, without limitation, the power:

(i) To conduct the Business, carry on its operations and have and exercise the powers granted to a limited liability company by the Act in any state, territory, district or possession of the United States, or in any foreign country that may be necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company;

(ii) To issue and/or sell equity Membership Interests of one or more classes as seems necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company in the sole discretion of the Manager;

(iii) To enter into, take any action or refrain from taking any action under, pursuant to, or in furtherance of any and all contracts of any kind, including, without limitation, contracts with any Member or any Affiliate thereof, or any agent or Affiliate of the Company, in each case to the extent that such contracts are deemed in the sole discretion of the Manager to be necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company;

(iv) To borrow money pursuant to the terms of any Loan Documents;

(v) To lend, invest and/or reinvest Company funds to the extent deemed in the sole discretion of the Manager to be necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company; and

(vi) To conduct all other activities deemed in the sole discretion of the Manager to be necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company.

4. Rights and Duties of Manager

4.1 Management; Applicable Standard of Care.

The Business, affairs and assets of the Company shall be managed exclusively by the Manager. The Members expressly waive all fiduciary duties of the Manager, other than the duty of the Manager to act in good faith. Except as expressly set forth herein, the Manager shall have full, complete and exclusive authority, power and discretion to direct, manage and control the Business, affairs and assets of the Company, to exercise any of the powers of the Company, to make all decisions regarding those matters, and to perform any and all other acts or activities it deems necessary, appropriate, proper, advisable or convenient with respect thereto. Without limiting the generality of the

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foregoing, the Manager shall exercise its authority in its capacity as a Manager of the Company. Except as expressly set forth in Section 4.11, none of the Members other than the Manager shall participate in the management or control of the Company or have any right to approve, vote on or otherwise consent to any matter relating to the business, affairs or assets of the Company (including, without limitation, the acquisition, production, sale, transfer, recapitalization, exchange or other disposition of all or substantially all of the Company Property). The Non-Managers agree that, except as expressly set forth in Section 4.11, they shall not take any action with respect to the Business, the Company and the Company Property to the extent that such action is (i) reserved to the Manager under this Agreement, and/or (ii) is directly or indirectly inconsistent with the Company Business Plan then in effect. The Members agree that no third party dealing with the Company shall be required to investigate the authority of the Manager or secure the approval or confirmation by any Member of any act of the Manager in connection with the Company. No purchaser, licensee, distributor, funder or rights holder of any Company Property or interest owned by the Company shall be required to determine the right to sell or license or the authority of the Manager to sign and deliver any instrument of transfer on behalf of the Company, or to see to the application or distribution of revenues or proceeds paid or credited in connection therewith. The Manager shall have full authority to execute on behalf of the Company any and all instruments and documents referred to in Section 4.5 and the execution thereof a) by the Manager, or b) by any of the Co-Managers, jointly with Co-Manager Lee Muhl and/or Co-Manager John Allen, Jr., executing by and on behalf of the Company shall be the only executions necessary to bind the Company. Other than as set forth in the prior sentence, no signature of all Co-Managers, or of any other Member, shall be required to bind the Company. By way of example and for the avoidance of doubt, either i) any Co-Manager and Lee Muhl shall have the power to bind the Company, and/or ii) any Co-Manager and John Allen, Jr. shall have the power to bind the Company.

4.2 Administration; Applicable Standard of Care.

So long as it remains the Manager, the Manager shall have the responsibility of providing, in good faith as the sole applicable standard of care, continuing administrative and executive support, advice, consultation, analysis and supervision with respect to the functions of the Company. Subject to Section 4.12, the Manager shall not be entitled to remuneration for services rendered, as Manager, or for tangible or intangible property provided as Manager to the Company. As such, any remuneration paid by the Company to a) the Manager, b) a Co-Manager, or c) an Affiliate of the Manager or a Co-Manager shall be treated as a payment to a person who is not a Manager or Member under Code Section 707. Each Co-Manager acknowledges the obligation to complete, promptly upon request by any Co-Manager, what is commonly-known as a Regulation D, Section 506(d) "bad actor" form, in connection with any contemplated securities offering by the Company.

4.3 Employment; Applicable Standard of Care.

Notwithstanding the provisions of Sections 4.1, 4.2 and/or 4.5, the Manager may elect to enter into formal employment agreements with one or more persons selected by the Manager in its sole discretion to render services for the Company, pursuant to terms selected by the Manager in its sole discretion. If a person contracted with by the Manager pursuant to this section is a Co-Manager or other Member, then, notwithstanding any provision of the Act, and notwithstanding any provision to the contrary in any such formal employment agreement, good faith shall be the sole applicable standard of care for any acts and/or omissions under any such formal employment agreement. If a person contracted with by the Manager pursuant to this section is not a Co-Manager or other Member, then the applicable standard of care for any acts and/or omissions under any such formal employment agreement shall be as set forth in the formal employment agreement.

4.4 Officers; Applicable Standard of Care.

(i) The Manager may appoint officers of the Company who shall serve at the pleasure of the Manager, subject to all rights, if any, of an officer under a

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contract of employment. An individual may hold any number of offices. No officer need be a resident of a U.S. state, or a citizen of the U.S.

(ii) **The officers of the Company, if deemed necessary by the Manager in its sole discretion, may include a chairperson, chief executive officer, chief operating officer, president, one or more vice presidents, executive vice presidents, senior vice presidents, secretary, chief financial officer, chief creative officer, chief information officer, chief business development officer, chief technology officer, chief marketing officer or other similar or dissimilar officers designated by the Manager.**

(iii) **Initially, the Manager has not elected to designate any officers of the Company and, unless and until the Manager elects, in its sole discretion, to designate officers of the Company, the Manager shall function as the Company's sole management.**

(iv) **If a person appointed as an officer by the Manager pursuant to this section is a Co-Manager or other Member, then, notwithstanding any provision of the Act, and notwithstanding any provision to the contrary in any formal agreement with such officer, good faith shall be the sole applicable standard of care to any acts and/or omissions by such officer.**

(v) **If a person appointed as an officer by the Manager pursuant to this section is not a Co-Manager or other Member, then the applicable standard of care to any acts and/or omissions by such officer shall be as set forth in the formal agreement with such officer.**

(vi) **Without limiting the generality of sections 4.4(iv) and 4.4(v), a) no officer shall, as a consequence of having accepted an officer position or a "corporate title" (such as those listed in section 4.4(ii)), be deemed to have undertaken any duties, including fiduciary duties, deemed under applicable law to be "normally-associated" with such corporate office or title; and b) in all cases, the only duties, including fiduciary duties, applicable to any such officer position or corporate title shall be as designated by the Manager in its sole discretion, and/or as shall be set forth in the formal agreement with such officer.**

4.5 Supplemental Rights and Duties.

Supplementing the terms of Section 4.1 hereof, the Manager's full, complete and exclusive power and authority shall include, without limitation, the right, on behalf of the Company:

(i) **To approve, reject, amend, modify or supplement the Business Plan from time to time;**

(ii) **To convert the Company's legal format into a corporation or, without conversion, at any time or from time to time to elect to have the Company taxed as if the Company is a corporation;**

(iii) **To raise or create additional equity investment or financing for the Company and to issue and/or sell Membership Interests of an original or additional classes as seems necessary or desirable in the sole discretion of the Manager and regardless of whether the raising or creation of additional equity investment or financing or the expansion of or creation of any such classes of Membership Interests (a) shall be dilutive of the Company Percentage Interests held by Members, or (b) affect, limit or reduce Distributions to Members, or (c) change any compensation or the timing or allocation of Distributions due to the Members in a manner that materially adversely affects the Members;**

(iv) **To open accounts and maintain funds in the name of the Company in banks, savings and loan associations, other financial institutions, "money market" mutual funds and other financial instruments as the Manager may deem in its**

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sole discretion to be necessary or desirable and to be the sole signatory on such accounts or instruments unless the Manager shall elect otherwise in its sole discretion;

(v) **To cause the Company to make or revoke any of the elections referred to in the Code, but the Manager shall have no obligation to make such elections;**

(vi) **To determine the appropriate accounting method to be used by the Company at any time or from time to time;**

(vii) **Directly or indirectly, to acquire by purchase, lease, contribution of property or otherwise any intellectual property or personal property, tangible or intangible, with funds of the Company;**

(viii) **Directly or indirectly, to sell, license, lend, hypothecate, exchange or otherwise dispose of all or any portion of the Company Property;**

(ix) **To enter into such contracts and agreements as the Manager determines in its sole discretion to be necessary or appropriate in connection with the Company's business and purpose (including contracts with Affiliates of the Company, or Affiliates of the Members or Affiliates of the Manager) and any contract of liability insurance, D&O insurance and/or other forms of insurance to protect the Company, the Manager, the Members, the Company Property and the Business; provided, however, and subject always to Section 4.5(xvi), the terms of any such contract or agreement with Affiliates of the Company, or Affiliates of the Members or Affiliates of the Manager shall be arms-length and shall be no less favorable to the Company than would be available in a contract between the Company and a Person unaffiliated with the Company, the Members or the Manager;**

(x) **To execute all documents and instruments on behalf of Non-Managers to the extent necessary, appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company, including, without limitation, the execution of this Agreement on behalf of Investors pursuant to Section 6.1 in order to admit Investors as Members;**

(xi) **To amend this Agreement to reflect the admission of additional Members;**

(xii) **To hold and own any Company Property in the name of the Company;**

(xiii) **To invest or lend any Company funds in any manner selected by the Manager and deemed, in the Manager's sole discretion, to be appropriate, proper, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company;**

(xiv) **To make any expenditure or incur any obligation by or on behalf of the Company;**

(xv) **To establish reserves from income in such amounts as the Manager may in its sole discretion deem appropriate, including, without limitation, Operating Reserves or Capital Reserves that are not (a) required under any agreement entered into by the Company or (b) contemplated by the Business Plan then in effect;**

(xvi) **To make secured or unsecured loans to the Company and/or Subsidiaries and/or Affiliates of the Company and receive interest at a rate reflecting then-current market conditions applicable to similar loans; provided, however, that loans to Subsidiaries and/or Affiliates of the Company may be made at any rate selected by the Manager in its sole discretion, so long as the interest rate selected is equal to or greater than the IRS minimum imputable interest rate applicable at the time of closing of the lending transaction;**

(xvii) **To authorize any employee or other agent of the Manager, or agent or employee of the Company, to act for and on behalf of the Company in all matters relating to or incidental to the rights and duties of the Manager set forth herein;**

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(xviii) **To designate a "Tax Matters Member" within the meaning of Section 8.15, and agree to final Company administrative adjustments or file a petition for a readjustment of any Company items in question with a judicial tribunal;**

(xix) **To redeem or repurchase Member interests on behalf of the Company;**

(xx) **To execute on behalf of the Company all instruments and documents, including, without limitation, employment agreements, contractor agreements, vendor agreements, product or service agreements, management agreements, acquisition and/or sale agreements, checks, drafts, documents providing for the disposition of Company Property, assignments, bills of sale, leases, joint venture agreements, partnership agreements, operating agreements of other limited liability companies, corporate agreements, corporate instruments and documents, and any other instruments or documents that the Manager in its sole discretion deems necessary, appropriate, advisable, incidental or convenient to the accomplishment of the Business and the purposes of the Company;**

(xxi) **Except as is expressly prohibited hereunder, to take any action, or refrain from taking any action, with respect to any Company Property;**

(xxii) **To initiate, settle and defend legal actions on behalf of the Company;**

(xxiii) **To determine in its sole discretion, where the meaning of any such item is discretionary or dependent upon the determination of subjective factors, the meaning of any and all terms set forth in Section 1 of this Agreement;**

(xxiv) **To prepare or cause to be prepared reports, accountings, statements, and other relevant information for distribution to Members or third parties duly entitled to receive such information;**

(xxv) **To employ, engage or retain (and dismiss) any Persons (including a Co-Manager, any Affiliate of the Company, any Affiliate of the Members, or any Affiliate of the Manager or Affiliate of a Co-Manager) to act as brokers, accountants, attorneys, managers, employees, consultants, contractors or in such other capacities as the Manager may determine are necessary, appropriate, proper, advisable, incidental, or convenient to the accomplishment of the Business and the purposes of the Company, and the Manager shall be entitled to rely upon the recommendations, reports and advice given by any such Persons in the course of their professional engagement; provided, however, the terms of any such employment contract or agreement with Affiliates of the Company, Affiliates of the Members, or Affiliates of the Manager or a Co-Manager shall be arms-length and shall be no less favorable to the Company than would be available in a contract between the Company and a Person unaffiliated with the Company, the Members or the Manager;**

(xxvi) **To extend the term of this Agreement and the Company for up to five (5) additional ten (10)-year periods;**

(xxvii) **To (a) file any voluntary petition in bankruptcy on behalf of the Company, (b) consent to the filing of any involuntary petition in bankruptcy against the Company, (c) file any petition seeking, or consenting to, reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency with respect to the Company, (d) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Company or a substantial part of its property, (e) make any assignment for the benefit of creditors of the Company, (f) admit in writing the inability of the Company to pay its debts generally as they come due, and (g) take any action on behalf of the Company in furtherance of any such action;**

(xxviii) **To cause the voluntary dissolution of the Company and to take all actions in connection with such dissolution, which dissolution shall not require the consent of any other Member;**

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(xxix) To do and perform all other acts, including without limitation the creation, formation, supervision and management of wholly or partly owned subsidiaries, as the Manager, in its sole discretion, may determine to be necessary, appropriate, proper, advisable, incidental or convenient to implement the Business Plan then in effect or otherwise to conduct the Business and the purposes of the Company.

Notwithstanding anything to the contrary in this Agreement, in the Act, or pursuant to principles of North Carolina law, the Members agree that (i) good faith as defined herein shall be the sole fiduciary duty of the Manager, and the Co-Managers, (ii) good faith shall be the sole applicable standard of care to any and all acts and/or omissions by the Manager, or any Co-Manager, and (iii) all other fiduciary duties of the Manager, or any Co-Manager are expressly waived.

4.6 Restrictions on Manager's Authority.

Except as expressly set forth in this Agreement to the contrary, without the prior consent in writing of a majority of all Voting Members, the Manager shall not have the right:

(i) To cause the Company to loan to the Manager, or the Manager's Affiliates, Company assets or employ, or permit the employment of, the funds or assets of the Company in any manner not intended, in the Manager's sole discretion, to be for the primary benefit of a) the Company and/or b) a majority of all Voting Members of the Company.

(ii) To commingle Company funds with those of another Person except for a Subsidiary of the Company; or

(iii) To take any action that would make it impossible to carry on the Business of the Company.

Notwithstanding the terms of Section 4.6(i), nothing in this Agreement is intended to or shall preclude the Manager, a Co-Manager or a Member from transferring tangible or intangible property to, or rendering non-producer professional services for, the Company or an Affiliate or Subsidiary of the Company in consideration of the fair market value of such property or services; by way of example and for the avoidance of doubt, the transfer by a Co-Manager or Member of rights in literary material, such as a story or screenplay, or the providing of artistic services, such as film writing or film producing services, by a Co-Manager or Member to an Affiliate or Subsidiary for fair market value shall conclusively be deemed to be in compliance with the terms of Section 4.6(i).

4.7 Other Power and Authority; Power of Attorney.

Unless authorized in writing to do so by this Agreement or by the Manager, no attorney-in-fact, employee or other agent of the Company shall have any power or authority to bind the Company in any way, to pledge the Company's credit or to render the Company liable for any purpose. No Member other than the Manager shall have any power or authority to bind the Company unless the other Member has been authorized in writing by the Manager to act as an agent of the Company in accordance with the previous sentence. The Manager shall at all times during the term of the Company have a special and limited power of attorney as the attorney-in-fact for each Member, with power and authority to act in the name and on behalf of each such Member to execute, acknowledge and swear to in the execution, acknowledgement and filing of documents which are not inconsistent with the provisions of this Agreement and which may include without limitation, the documents and instruments set forth in Section 4.5.

4.8 Limitation on Manager's Liability.

The Manager shall devote such time to the Company business as the Manager, in its sole discretion, deems to be necessary or desirable in connection with its respective duties and responsibilities

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hereunder. The Manager shall have no liability by reason of being or having been the Manager of the Company. The Manager does not, in any way, guarantee a profit for the Members from the Business and/or any operations of the Company. The Manager shall not be personally liable or responsible for the return or repayment of all or any portion of the capital of any Member or of any loan made by any Member to the Company, it being expressly understood that any such return of capital or repayment of any loan shall be made solely from the assets (which shall not include any right of contribution from any Member) of the Company. So long as the Manager acts in good faith in performing its duties, the Manager shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any Member, including, without limitation, any loss or damage from a) a claimed breach of fiduciary duty by the Manager, b) a claimed breach of this Agreement by the Manager, or c) a claimed tortious act or omission by the Manager.

4.9 No Exclusive Duty to Company.

The Members recognize that the Manager, the Co-Managers and/or the Members and their respective officers, directors, shareholders, members, partners, employees and Affiliates have, or may have in the future, other business interests, activities and investments, some of which may be similar to, and/or in conflict or indirect competition with the business of the Company, and that the Manager, the Co-Managers and/or the Members and their respective officers, directors, shareholders, members, partners, employees and Affiliates are entitled to carry on such other business interests, activities and investments so long as not directly competitive with and materially damaging to, the Business of the Company as defined in Section 3.1. The Manager and/or the Members and their respective officers, directors, shareholders, members, partners, employees and Affiliates may engage in or possess an interest in any other business or venture of any kind, independently or with others, including, without limitation, owning, investing in, financing, acquiring, leasing, promoting, developing, improving, operating, managing and servicing such businesses or ventures on its or their own behalf(s) or on behalf of other entities with which the Manager and/or any Member is affiliated or otherwise so long as not directly competitive with and materially damaging to the Business of the Company as defined in Section 3.1. The Manager and/or the Members and their respective officers, directors, shareholders, members, partners, employees and Affiliates may engage in such other business interests, activities and investments, so long as not directly competitive with and materially damaging to the Business of the Company as defined in Section 3.1, without any obligation to offer any interest in such activities to the Company or to the other Members. Neither the Company nor the Manager nor any Member shall have any right, by virtue of this Agreement or its interest in the Company or otherwise, in or to such other business interests, activities and investments, or the income or profits derived therefrom, and the pursuit of such other business interests, activities and investments, so long as not directly competitive with and materially damaging to the Business of the Company as defined in Section 3.1, shall not be deemed wrongful or improper. If the Manager shall elect, in its sole discretion to amend the Company's business scope to change or increase the genres or budgetary ranges comprising the business of the Company, such amendment shall not apply to any business interest, activity or investment that existed at the time of such amendment.

4.10 Indemnification of Manager and Related Parties.

(i) The Company shall, to the fullest extent permitted by applicable law, indemnify and defend a) the Manager and each Co-Manager, b) each member, shareholder, partner or other holder of any direct or indirect equity interest in the Manager or Co-Manager, and c) any manager, shareholder, employee, officer, director, agent, representative or Affiliate or successor or assign of any of the foregoing (each individually an "Indemnified Party") and hold each Indemnified Party harmless from and against all losses, claims, damages, liabilities and expenses (including, without limitation, attorneys' fees and expenses) that such Indemnified Party may suffer or incur, or to which such Indemnified Party may become subject, arising from or in connection with this Agreement or the Business, except for, and only to the extent that, any loss,

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claim, damage, liability or expense is primarily and directly attributable to acts or omissions not taken in good faith by such Indemnified Party.

(ii) **If any Indemnified Party becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising from or in connection with this Agreement or the Business, the Company shall reimburse such Indemnified Party for its reasonable legal and other reasonable out-of-pocket expenses (including the cost of any investigation and preparation) as and when they are incurred, provided that such Indemnified Party shall promptly repay to the Company the amount of any such reimbursed expenses if it shall ultimately be determined that such Indemnified Party was not entitled to be indemnified by the Company in connection with such action, proceeding or investigation.**

(iii) **By way of example and for the avoidance of doubt, the obligation to indemnify, defend and reimburse an Indemnified Party under this section expressly includes the obligation to immediately advance to the Indemnified Party any and all reasonable legal and other reasonable out of-pocket expenses (including the cost of any investigation and preparation).**

(iv) **Without limiting the generality of any other Subsection(s) of this Section 4.10, and all obligations created thereby, if for any reason, other than as the primary and direct result of actions or omissions taken not in good faith by the Indemnified Party in question, the foregoing indemnification is not fully available to the Indemnified Party in question or is insufficient to hold it harmless, then the Company shall immediately contribute to the amount paid or payable by the Indemnified Party in question as a result of such loss, claim, damage, liability or expense, in such proportion as is appropriate to reflect the relative benefits received by the Company on the one hand and the Indemnified Party in question on the other hand or, if such allocation is not permitted by applicable law, to reflect not only the relative benefits referred to above but also any other relevant equitable considerations.**

(v) **In addition to the Company's obligation to indemnify, defend and make advancement under this Section 4.10, in the event the Company or any Member of the Company (a "Claimant" for purposes of this Section 4.10(v)) shall present any claim, at law, in equity, or otherwise, for loss, damages, liabilities or expenses against an Indemnified Party, or against the Company respectively, arising from or in connection with this Agreement or the Business, or from any claimed breach of an agreement or any claimed tort by an Indemnified Party or the Company, such Claimant(s) shall immediately advance, upon request by the Indemnified Party, and/or by the Company if the claim is against the Company, any and all reasonable legal and other reasonable out of-pocket expenses (including the cost of any investigation and preparation) relating directly or indirectly to such claim. Any breach by a Claimant of the advancement obligation in this Section 4.10(v) shall constitute immediate and mutually-agreed grounds for dismissal of any such claim or, at the election of the Indemnified Party in its sole discretion, of a stay of any such claim unless and until such advancement has been duly made by the Claimant.**

(vi) **For clarity and for the avoidance of doubt, the obligation of the Company, or of any 3rd party, such as an insurer, to insure, protect, indemnify, defend and/or make advancement to an Indemnified Party, or to the Company if the claim is against the Company, shall conclusively be considered a collateral source of protection to the Indemnified Party, or to the Company if the claim is against the Company, and shall not be deemed in any way to be a credit or offset against, or relieve a Claimant from, the advancement obligation in Section 4.10(v).**

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4.11 Withdrawal, Resignation or Removal of Manager.

The Persons constituting the Manager shall serve as Co-Managers until any of such Persons withdraws, resigns or is removed. Upon a Trigger Event which is uncured within a period of fourteen (14) days following the provision of written notice to a Co-Manager from the Company, a Co-Manager, or by a Majority Vote of the Voting Members of the Company (unless such notifying party/ies reasonably believe(s) that the Trigger Event is not curable in which case no requirement of a notice period shall apply, or unless the giving of such notice would cause material harm to the Company's interests in which case the period of notice shall be reduced to such notice as shall be reasonable under the circumstances), one or more of the Co-Managers may be removed as a Co-Manager by the Majority Vote of the Voting Members. In the event of the removal of such Person, a Replacement Manager shall be selected, as soon as reasonably possible, by the Majority Vote of the Voting Members. For purposes of this Section 4.11, a "Trigger Event" shall mean (i) termination of a contract of employment of a Co-Manager pursuant to the termination rights of the Company set forth therein, whether for "cause" or otherwise, (ii) an event of insolvency or a Bankruptcy Action of, by or against, a Co-Manager, (iii) material, uncured breach of this Agreement by a Co-Manager, (iv) death or disability of a Co-Manager, (v) material, uncured breach of any other agreement between the Company and the subject Co-Manager, (vi) actions or omissions by the Co-Manager taken in bad faith that materially interfere with the business of the Company or (vii) incompatibility of a Co-Manager with Regulation D, Rule 506(d) promulgated by the SEC. The fiduciary obligations of Persons constituting the Manager are personal and cannot be provided by any other Person except the Co-Manager. Notwithstanding the foregoing, a) a material breach under clauses (iii) or (v) of this Section 4.11 may be cured by the Co-Manager, and shall not constitute a Trigger Event, if the cure is commenced immediately upon provision of written notification of a Trigger Event to the Co-Manager and the cure is completed within fourteen (14) days; and/or b) within a period of fourteen (14) days of receipt of written notice of a Trigger Event, the subject Co-Manager may elect to commence a dispute of the Trigger Event and seek reinstatement as Co-Manager by giving written notice of a dispute to the Company that is received by the Company within said fourteen (14) day period. In the event the Company receives timely notice of a dispute concerning a Trigger Event, such dispute will then, within a period of thirty (30) days following the Company's receipt of notice of dispute, be submitted by the subject Co-Manager and/or by the Company to binding arbitration in accordance with the then prevailing rules of the American Arbitration Association. If the dispute is not submitted by either party within said thirty (30) day period, then the Co-Manager shall be deemed to have been removed and not reinstated. Each party hereby waives any and all rights and benefits which he or it may otherwise have or be entitled to under the laws of the State of North Carolina and/or other pertinent jurisdiction to litigate or pursue any such dispute in court, it being the intention of the parties to arbitrate any and all such disputes. Any such arbitration shall be conducted in the County of Multnomah, State of Oregon, and shall be governed by and subject to the laws of the State of North Carolina and the then-prevailing rules of the American Arbitration Association, excepting therefrom any body of law known as Choice of Law or Conflict of Law, in order that any dispute regarding a Trigger Event will be interpreted and resolved based on substantive North Carolina contract law; provided that any arbitrator selected shall be familiar with the entertainment industry in general, specifically familiar with issues relating to the financing, production and distribution by production companies and film studios of theatrical and TV motion pictures and normal procedures relating thereto. The arbitrator's award shall be final and binding and a judgment upon the award may be enforced by any court of competent jurisdiction. During the time period commencing as of notification to the subject Co-Manager of a Trigger Event, and ending as of the earlier of x) a failure to timely submit a dispute to arbitration or y) the entry of a judgment upon an arbitration award, the subject Co-Manager shall not be empowered to act as a Co-Manager of the Company and any and all acts or omissions to act of the Manager or the Company during said time period shall be deemed final and shall not be affected in any way by any reinstatement of the subject Co-Manager.

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4.12 Expenses.

Except as otherwise provided in this Agreement, the Company shall be responsible for paying, and shall pay or reimburse, whether incurred before or after the date hereof, all Formation Expenses, all other costs and expenses related to the organization of the Company and/or the subscription and/or admission of Members, all costs and expenses related to the Business and of acquiring, holding, owning, developing, producing, distributing, marketing, collecting upon and operating any Company Property, including costs of trademark. In the event any such costs and expenses are or have been paid or incurred by the Manager, a Co-Manager or any Member, including legal or accounting expenses and other costs and expenses incurred by the Manager prior to the formation of the Company, such Member shall be entitled to be reimbursed for such payment so long as such payment is reasonably necessary for the Business or operations and has been approved by the Manager. Notwithstanding the foregoing, in no event shall the Company have any obligation to pay or reimburse any Member for any general overhead expense of such Member. Supplementing the foregoing, the reasonable out-of-pocket expenses incurred after the date hereof by the Manager from time to time hereunder shall be reimbursed by the Company upon demand of the Manager.

4.13 Exculpation of Manager.

Without limiting the generality or breadth of all other Sections of this Section 4, the Manager shall not be liable to the Company or to any Member for damages (including, without limitation, consequential damages) for any losses, claims, damages or liabilities arising from any act or omission performed or omitted by the Manager in connection with this Agreement or the Company's business or affairs (including, without limitation, as a result of any claim of breach of fiduciary duty of the Manager), except for (and only to the extent that) any such loss, claim, damage or liability is primarily attributable to an act or omission not in good faith by the Manager.

5. Rights And Obligations Of Members

5.1 Liability of a Member to the Company.

Each Member's liability shall be only as set forth in this Agreement and the Act. Supplementary to the preceding sentence, a Member shall not be required to make any additional contributions to the capital of the Company and no Member shall be liable for the debts, losses, liabilities or other obligations of the Company except with regard to their respective Capital Contributions nor shall the Members be required to lend funds to the Company after their Capital Contributions have been paid or to repay to the Company, any Member, or any creditor of the Company any portion of the deficit balance in a Member's Capital Account.

5.2 List of Members; Meetings of Members.

Upon written request of any Member, the Manager shall provide a list showing the names, addresses and Membership Interests of all Members. No annual or regular meetings of Members are required. If meetings are held, such meetings shall be noticed, held and conducted pursuant to the Act.

5.3 Company Books.

The Manager shall maintain and preserve, during the term of the Company, the accounts, books, and other relevant Company documents described in Section 8.13 hereof. Upon reasonable written request, each Member shall have the right, at a time during ordinary business hours, to inspect and copy, or in the sole discretion of the Manager, to receive digital copies, at the requesting Member's expense, if any, the Company documents that the Member has specified, if and to the extent such Company documents exist.

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5.4 Company Property; Nature of Interests in the Company.

All property of the Company shall be owned by the Company subject to the terms and provisions of this Agreement, and no Member shall have any interest in any specific asset of the Company. The Membership Interests of all Members are intended to be personal property and are not intended to be deemed income.

5.5 Priority.

Except as may be expressly provided in Articles 8 and 10 hereof, no Member shall have priority over any other Member as to Distributions.

5.6 Exculpation of Members.

No Member shall be liable to the Company or to any other Member for damages (including, without limitation, consequential damages) for any losses, claims, damages or liabilities arising from any act or omission performed or omitted by it in connection with this Agreement or the Company's business or affairs except for (and to the extent of) any such loss, claim, damage or liability that is attributable to the act or omission of such Member not taken in good faith, and subject always to the terms of Section 4 of this Agreement.

5.7 Loans.

No Member shall be required nor entitled to guaranty or otherwise be liable for any indebtedness of the Company.

6. Members' Capital Contributions to the Company, Percentage Interest and Capital Accounts

6.1 General; Subscription Agreement.

Except for the Manager, each Person desiring to become a Member shall tender to the Company a Subscription Agreement, together with the full Capital Contribution specified in the Subscription Agreement. The Company shall accept or reject each Subscription Agreement promptly and any failure by the Company to accept a Subscription Agreement in writing shall constitute a rejection thereof. Acceptance of a Subscription Agreement shall be evidenced by the execution of a Subscription Agreement by the Manager. Upon the acceptance of a Subscription Agreement, the Manager shall execute this Agreement on such Member's behalf and the accompanying Subscription Payment shall become a Capital Contribution by such subscriber as of the beginning of the next calendar month. The Company Percentage Interest subscribed for by each Member shall be set forth in Exhibit "B," as amended from time to time, attached hereto and incorporated by reference herein.

6.2 Class B Preferred Members.

The specific rights and obligations acquired and accepted by any Class B Preferred Members will be as set forth in one or more Subscription Agreements; provided that, in the event of any conflict between the terms of this Agreement and any Subscription Agreement, the terms of this Agreement will be controlling.

6.3 Admission of Members.

The Manager shall take such action as the Manager deems necessary or appropriate promptly after receipt of a Members' Capital Contributions to the Company to reflect the admission of such Person to the Company as a Member, including amending Exhibits "A" and "B" to this Agreement.

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6.4 Capital Accounts.

The Company shall establish and maintain a Capital Account for each Member. The beginning Capital Account balance shall be an amount equal to the Member's Capital Contribution. Each year, the Member's Capital Account shall be (i) increased by (a) the amount of any additional Capital Contribution and (b) the Member's proportionate share of Net Income; and (ii) decreased by (x) the amount of any Net Loss and (y) the amount of any withdrawal by or Distribution to said Member. Exhibit "B" annexed hereto is a description of the determination of the Members' capital contributions, Company Percentage Interests, and other provisions that the Company and the Members have agreed shall govern the allocation of profits and losses and other tax compliance and accounting matters. No Member shall have any liability to restore all or any portion of a deficit balance in such Member's Capital Account.

6.5 Withdrawal or Reduction of Members' Contributions to Capital.

Except as provided in Section 10.2 hereof, a Member shall not receive out of Company Property any part of its Capital Contribution until all liabilities of the Company, except liabilities to Members on account of their Capital Contributions, have been paid or there remains property of the Company sufficient to pay them. Except as provided in Section 10.2 hereof, a Member, irrespective of the nature of its Capital Contribution, has only the right to receive cash in return for its Capital Contribution.

6.6 Return of Capital.

Except as otherwise provided in this Agreement, no Member shall have the right to (i) demand the return of, or withdraw, or reduce any or all of the Member's Capital Contribution prior to the dissolution and winding up of the Company, or (ii) bring an action for partition against the Company. No Member shall be liable for the return of the Capital Contributions (or any portion thereof) of any other Member, it being expressly understood that any such return shall be made solely from the assets of the Company.

7. Representations, Warranties And Covenants

7.1 Representations and Warranties of the Members.

Each Member hereby represents, warrants and covenants to the other Members (and each Person admitted to the Company shall represent, warrant and covenant as a condition to its admission) as follows:

- **(i) It is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, with all requisite power and authority to enter into and perform this Agreement.**
- **(ii) This Agreement has been duly authorized, executed and delivered by such Member and constitutes the legal, valid and binding obligation of such Member, enforceable in accordance with its terms.**
- **(iii) No consents or approvals are required from any governmental authority or other Person for such Member to enter into this Agreement and form the Company. All limited liability company, corporate or partnership action on the part of such Member necessary for the authorization, execution and delivery of this Agreement, and the consummation of the transactions contemplated hereby, have been duly taken.**
- **(iv) Neither the execution and delivery of this Agreement by such Member, nor the consummation of the transactions contemplated hereby, conflict with or contravene the provisions of its organic documents or any agreement or**

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instrument by which it or its properties are bound, or any law, rule, regulation, order or decree to which it or its properties are subject.

(v) On behalf of itself and each assignee or transferee of it, that (a) the direct and indirect ownership interests in such Member have been issued in compliance with all applicable laws, orders, judgments, ordinances, rules, regulations and requirements of all federal, state and local governmental and quasi-governmental authorities, agencies, departments, commissions, bureaus and instrumentalities, including, without limitation, those promulgated by or under the Securities Act of 1933 (as amended, the "Securities Act") and the Securities and Exchange Act of 1934), (b) such Member is acquiring its Membership Interest for its own account for investment and not with a view to the distribution or resale thereof, or with the present intention of distributing or reselling such interest, and that it will not transfer or attempt to transfer its Membership Interest in violation of the Securities Act, the Securities and Exchange Act of 1934 or any other applicable federal, state or local securities law, and (c) each Member is an accredited investor as defined, for example, under Rule 501 of Regulation D of the Securities Act. Nothing herein shall be construed to create or impose on the Company or any Member an obligation to register any transfer of any Membership Interest or any portion thereof.

(vi) Neither it, nor any of its affiliates (or any of their respective principals, partners or funding sources), is or will become (a) a Person designated by the U.S. Department of Treasury's Office of Foreign Asset Control as a "specially designated national or blocked person" or similar status, (b) a Person described in Section 1 of U.S. Executive Order 13224 issued on September 23, 2001; (c) a Person otherwise identified by a governmental or legal authority as a Person with whom the Company or any Member is prohibited from transacting business; (d) directly or indirectly owned or controlled by the government of any country that is subject to an embargo by the United States government; or (e) a Person acting on behalf of a government of any country that is subject to an embargo by the United States government. Such Member agrees that it will notify the Company and each other Member in writing immediately upon the occurrence of any event that would render the foregoing representations and warranties contained in this Section 7.1(vi) incorrect.

7.2 Acknowledgment of the Investors.

Each Investor, as a condition of membership in the Company, hereby represents and warrants that, as of the date hereof, with respect to the obligations, conditions and rights contemplated by the transaction described in this Agreement, no other person has any right or option to acquire shares in the Investor. Each Investor represents and warrants that neither it nor any Affiliate of it is a party to any agreement restricting, restraining or preventing such Person from competing with any other Person or engaging in any lawful business that such Person would breach or violate as a result of performing the obligations under this Agreement.

7.3 Additional Representations and Warranties.

In connection with any permitted sale or other transfer of any direct or indirect interest in the Company, it shall be a condition to the effectiveness of such sale or transfer that such sale or transfer (i) be exempt from registration under or all applicable federal and state securities laws, (ii) not require the Manager or the Company to register as an Investment Company or an investment adviser under the Investment Advisers Act of 1940, as amended, (iii) not cause the Company to terminate for tax purposes, including, without limitation, by reason of being taxable as a corporation or association, under the Internal Revenue Code of 1986, as amended (the "Code"), and (iv) not violate any laws, orders, judgments, ordinances, rules, regulations or requirements, now or hereafter existing, of any

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federal, state or local governmental or quasi-governmental authority, agency, department, commission, bureau or instrumentality of any of them

8. Distributions, Allocations, Income Tax, Elections And Reports

8.1 Periodic Distributions.

The Manager may, but is not required to, make Distributions to the Members of cash of the Company. Except as provided in Section 10, any such Distribution shall be made to the Members in accordance with their respective Company Percentage Interests. No Distribution pursuant to this Section 8 shall be made to any Member to the extent that the Distribution would reduce that Member's Capital Account below zero.

8.2 Limitation on Distributions.

Except as provided in this Section 8 or in Section 10.2 hereof, a Member has no right to demand and receive any distribution in any form other than cash.

8.3 Distributions After Recovery of Capital Contributions.

Subject to the provisions of Section 10, if, at any time, Distributions have been made to Members in an aggregate amount equal to all of the Members' Capital Contributions such that all such Capital Accounts have been reduced to zero, distributions will made in the amounts and proportions necessary to ensure that:

(i) The percentage of the Company's cumulative Net Income since inception that equals the Company Percentage Interests of the Class A Common Members, as adjusted from time to time, has been distributed to the Class A Common Members; and

(ii) The percentage of the Company's cumulative Net Income since inception that equals the Company Percentage Interests of any Members not referred to in subsections 8.3(i), as adjusted from time to time, has been distributed to such other Members.

8.4 Limitation On Distributions.

No Distribution shall be declared and paid if, after such Distribution is made:

(i) The Company would be insolvent; or

(ii) The Net Assets of the Company would be less than zero.

8.5 Allocations.

Exhibit "C" hereto sets forth a description of certain tax allocations by the Company which shall be subject to modification in the sole discretion of the Manager.

8.6 Accounting Principles.

All decisions as to accounting principles for the Company shall be made by the Manager subject to the terms of this Agreement.

8.7 Interest On Capital Contributions.

No Member shall be entitled to interest on its Capital Contribution or Capital Account balance.

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8.8 Loans To Company.

Nothing in this Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

8.9 Accounting Period.

The Company's accounting period shall be the calendar year unless the Manager shall in its sole discretion select another accounting period.

8.10 Records, Audits and Reports.

At the expense of the Company, the Manager shall maintain or cause to be maintained the books, records and accounts of all material and significant operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records: a current list of the full name and last known address of each Member setting forth the percentage interest (whether vested or unvested) and the amount of cash each Member has contributed, a description and statement of the agreed value of the other property (tangible or intangible) or services each Member has contributed or has agreed to contribute in the future, and the date on which each became a Member; a copy of the certificate of formation of the Company, this Agreement and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed; and copies of any financial statements of the Company, for the lesser of the three (3) most recent years, or the actual time the Company has been operating.

8.11 Tax Returns and Tax Elections.

The Manager shall cause to be prepared and filed, at the expense of the Company, all required state and federal informational tax returns for the Company on or before the date that such returns are due. The Company shall prepare and file (or cause to be prepared and filed), and deliver to the Members on or prior to March 15th of each calendar year, or the applicable date, if other, during the term of this Agreement the respective tax returns, K-1s and/or other appropriate returns and related forms. All expenses incurred in connection with the above shall be borne by the Company. Except as otherwise expressly provided herein, the Manager shall make all applicable elections, determinations and other decisions under the Code (or any other federal or state law), including, without limitation, the deductibility of a particular item of expense and the positions to be taken on the Company's tax return, and shall approve the settlement or compromise of all audit matters raised by the Internal Revenue Service or other taxing authority affecting the Members generally. The Members each shall take reporting positions on their respective federal, state and local income tax returns consistent with the positions determined for the Company.

8.12 Tax Matters Member.

Co-Manager Lee Muhl, and/or Co-Manager John Allen, Jr., and/or an agent, Affiliate or representative designated thereby is designated the "Tax Matters Partner" (as defined in Code Section 6231 and for purposes of this Agreement defined as the Tax Matters Member), and, subject to the further terms of this Section 8.15, is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including, without limitation, administrative and judicial proceedings, subject to the further terms of this Section 8.15, and to expend Company funds for professional services and costs associated therewith. The Members agree to cooperate with each other and to do or refrain from doing any and all things reasonably required to conduct such proceedings. All expenses incurred in connection with any such audit and with any other tax investigation, settlement or review shall be borne by the Company. In the event that the Company shall be the subject of an audit by any federal, state or local taxing authority, to the

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extent that the Company is treated as an entity for purposes of such audit, including administrative settlement and judicial review, the Tax Matters Member shall be authorized to act for, and his/its decision shall be final and binding upon, the Company and each Member thereof; provided, however, that the Tax Matters Member shall (i) notify the Members of any administrative proceeding with respect to the Company pursuant to Section 6223(c) of the Code, (ii) furnish the Members with any material correspondence or communication relating to the Company from the Internal Revenue Service received by the Tax Matters Member, (iii) consult with the other Members prior to taking any material action relating to the tax affairs of the Company, and (iv) make all decisions affecting the tax affairs of the Company in good faith using his/its reasonable business judgment (it being understood and agreed that for the purposes of this Agreement, the term "reasonable business judgment" shall refer to the "business judgment rule" as the same would be applied under applicable law if the Person in question were a director of a corporation). The Company shall indemnify and reimburse the Tax Matters Member for all reasonable expenses, including, without limitation, legal and accounting fees, claims, liabilities, losses and damages incurred in connection with any administrative or judicial proceeding with respect to the tax liability of the Members.

9. Transferability

9.1 General.

(i) **No Member shall sell, assign, pledge, hypothecate, transfer, exchange or otherwise transfer for consideration, or gift, bequeath or otherwise transfer for no consideration (whether or not by operation of law) (a "Transfer"), directly or indirectly, all or any portion of its Membership Interest (including, without limitation, any right to receive distributions, dividends or profits from the Company), except as permitted by this Section 9, it being understood and agreed that to the extent that any Member is an individual, a Transfer by such Member to a trust or other entity established and maintained solely for purposes of estate planning shall not be deemed a Transfer so long as (a) the Manager received prior written notice thereof, (b) a transfer fee is paid by the Member in such amount as to cover all reasonable expenses, including attorneys' fees connected with such Transfer, (c) the Transfer is by written agreement of assignment, (d) the terms of which are not in contravention of any terms of this Agreement, and which (e) has been accepted by the Manager in writing, (f) the Manager determines in its sole discretion that such Transfer complies with all applicable governmental laws and regulations including state and federal securities laws, shall not require the termination of the Company under the Code, and shall not require the Company to register the transferred Membership Interests or any other class of equity securities of the Company under the Securities and Exchange Act of 1934, (g) the transferee ("Transferee") executes in connection with the Transfer a copy of this Agreement and becomes a Member of the Company, having the rights and obligations of a Member under this Agreement, and (h) the sole beneficiaries of such Transfer (other than de minimis interests held by charitable organizations) are such Member's brothers and sisters, spouse, ancestors or lineal descendants.**

(ii) **In addition to the foregoing, a Member may Transfer all or any portion of its Membership Interest in the Company (including, without limitation, any right to receive distributions, dividends or profits from the Company) pursuant to a Conversion and/or Section 9.3.**

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9.2 Effect of Transfer.

No new Member, or converting Member, shall be entitled to any retroactive allocation of losses, income or expense deductions incurred by the Company. The Manager may, at its option, upon a Conversion or at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of loss, income and expense deductions to a converting Member and/or a new Member for that portion of the Company's tax year in which a Member converted, or was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

9.3 Sale of Membership Interest to Others.

Except as otherwise permitted in a Conversion and/or Section 9.1, if a Member desires to Transfer any of such Member's Membership Interest, the following procedures shall be complied with:

(i) **No Member shall transfer, assign or convey or offer to transfer, assign or convey all or any portion of a Membership Interest to any Person who does not possess the financial or other qualifications required of Persons to become Members, as described in the Company's initial post-formation offering of Membership Interests to Investors.**

(ii) **Each Member (the "Offering Member") desiring to transfer any of such Offering Member's Membership Interest, or any interest therein, shall give written notice ("Notice") of the proposed bona fide transfer to the other Members and to the Company. The Notice shall contain the proposed Transferee's name, business and residence address, the amount of Membership Interest to be transferred, the price for the Membership Interest, and the terms of the Transfer, including, but not limited to, the method of payment, and the time, place and method of Transfer and payment. An executed copy of the Transferee's offer to purchase the Member's Membership Interest shall be attached to the Notice and without which the Notice shall be invalid.**

(iii) **For thirty (30) days following receipt of the Notice, the Company shall have an option to redeem all, but not less than all, of the Membership Interest proposed to be Transferred (the "Offered Membership Interest ") at the price and on the terms stated in the Notice, except that the Company may elect to redeem less than all the Offered Membership Interest so long as the Company's Members, or any of them, elect to exercise their option rights pursuant to subsection 9.3(iii) so as to purchase all the remaining Offered Membership Interest. The Manager of the Company shall promptly take action upon receipt of the Notice to consider the proposed sale of the Offered Membership Interest and the redemption of the Offered Membership Interest by the Company. If the Company elects to exercise its option hereunder, it shall give written notice to the Offering Member within the thirty day period provided for herein.**

(iv) **If the option granted to the Company under subsection 9.3(iii) is not exercised within the thirty day period provided therein as to all the Offered Membership Interest, then as early as reasonably possible before the end of such period the Company shall give further notice of the contemplated Transfer to each Member (excluding the Offering Member), and Members (excluding the Offering Member) shall have an option to purchase all, but not less than all, of the remaining Offered Membership Interest. This option shall be at the price and on the terms specified in the Notice.**

(v) **Any Member desiring to exercise the option granted under subsection 9.3(iii) shall deliver to the Company and to the Offering Member, within such thirty day period, a written notice of election to purchase the Offered Membership**

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Interest, specifying the amount of the Offered Membership Interest to be purchased. If more than one Member elects to purchase any or all of the remaining Offered Membership Interest, each electing Member shall have the right to purchase a proportionate amount of the Offered Membership Interest based on the ratio of the amount of Company Percentage Interest which the electing Member owns to the total number of Company Percentage Interests held by all electing Members (the "Allocation"). If any electing Member has elected to purchase an amount of the Offered Membership Interest which is less than the amount of the Offered Membership Interest to which such electing Member is entitled under the Allocation, then those electing Members desiring to purchase more than their share under the Allocation shall be entitled to purchase any such unpurchased Offered Membership Interest on the pro rata basis established by the Allocation. The Company and the electing Members shall have fifteen additional days beyond the initial thirty day option period provided herein in which to determine the amount of Offered Membership Interests previously purchased by electing Members. Within the thirty day option period, as provided herein, or if prior Offered Membership Interests and purchases by Members are involved, then within the additional fifteen day period provided herein, the Company shall notify each electing Member of the amount of Offered Membership Interest as to which his election is effective.

(vi) No Transfer pursuant to this Section 9.3 shall be valid unless (a) all provisions of Section 9.3 are fully complied with, (b) a transfer fee is paid by the Member in such amount as to cover all reasonable expenses, including attorneys' fees connected with such Transfer, (c) the Transfer is by written agreement of assignment, (d) the terms of which are not in contravention of any terms of this Agreement, and which (e) has been accepted by the Manager in writing, (f) the Manager determines in its sole discretion that such Transfer complies with all applicable governmental laws and regulations including state and federal securities laws, shall not require the termination of the Company under the Code, and shall not require the Company to register the transferred Membership Interests or any other class of equity securities of the Company under the Securities and Exchange Act of 1934, (g) the Transferee executes in connection with the Transfer a copy of this Agreement and becomes a Member of the Company, having the rights and obligations of a Member under this Agreement.

10. Dissolution And Termination

10.1 Dissolution

The Company shall be dissolved following the sale of all of the Company Property or upon the determination of the Manager to dissolve and wind up the Company. The death, retirement, resignation, expulsion, withdrawal, bankruptcy or dissolution of a Member or occurrence of any other event that terminates, the continued interest of a Member in the Company (a "Withdrawal Event"), shall not result in dissolution of the Company, and the business of the Company shall continue without interruption despite the occurrence of any such Withdrawal Event. Upon the occurrence of any event that causes the last remaining Member of the Company to cease to be a Member of the Company, to the fullest extent permitted by law, the personal representative of such Member is hereby authorized to, and shall, within ninety (90) days after the occurrence of the event that terminated the continued membership of such Member in the Company, agree in writing (i) to continue the Company, and (ii) to the admission of the personal representative or its nominee or designee, as the case may be, as a substitute Member of the Company, effective as of the occurrence of the event that terminated the continued membership of the last remaining Member of the Company in the Company.

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10.2 Winding-Up, Liquidation and Distribution of Assets.

Upon dissolution of the Company, an accounting shall be made by the Company's independent accountants of the accounts of the Company and of the Company's assets, liabilities and operations, from the date of the immediately preceding accounting until the date of dissolution. Upon dissolution of the Company, the Manager shall immediately proceed to wind up the affairs of the Company. If the Company is dissolved and its affairs are to be wound up, the Manager shall:

(i) Sell or otherwise liquidate all of the Company's assets as promptly as practicable;

(ii) Allocate any profit or loss resulting from such sales to the Member's Capital Accounts in accordance with Exhibits "B" and "C" hereof;

(iii) Discharge all liabilities of the Company, including liabilities to Members who are creditors, to the extent otherwise permitted by law, other than liabilities to Members for distributions, and establish such reserves as may be reasonably necessary to provide for contingent liabilities of the Company (for purposes of determining the Capital Accounts of Members, the amounts of such reserves shall be deemed to be an expense of the Company); and

(iv) Distribute the remaining assets as follows:

(a) To the Members in proportion to their positive Capital Account balances as of the date of such Distribution, after giving effect to all Capital Contributions, Distributions and allocations for all periods, including the period in which Such Distribution occurs; and

(b) If any assets of the Company are to be distributed in kind, such assets shall be distributed by agreement of the Members. Such assets shall be deemed to have been sold as of the date of dissolution for their fair market value, and the Capital Accounts of the Members shall be adjusted pursuant to the provisions of Section 8.3 to reflect such deemed sale.

Upon completion of the winding-up, liquidation and distribution of the assets, the Company shall be deemed terminated. The Manager shall comply with any applicable requirements of the Act pertaining to the winding-up of the affairs of the Company and the final distribution of its assets.

10.3 Articles of Dissolution.

When all debts, liabilities and obligations of the Company have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets of the Company have been distributed, articles of dissolution as required by the Act shall be executed and filed by the Manager with the North Carolina Secretary of State.

10.4 Effect of Filing of Articles of Dissolution.

Upon the filing of articles of dissolution with the North Carolina Secretary of State, the existence of the Company shall cease, except for the purpose of suits, other proceedings and appropriate action as provided in the Act. The Manager shall have authority to distribute any Company property discovered after dissolution, to convey real estate and to take such other action as may be necessary on behalf of and in the name of the Company.

10.5 Return of Contribution; Nonrecourse to Other Members.

Except as provided by law or as expressly provided in this Agreement, upon dissolution each Member shall look solely to the assets of the Company for the return of its Capital Contribution. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is

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insufficient to return the Capital Contribution of one or more Members, such Member or Members shall have no recourse against any other Member.

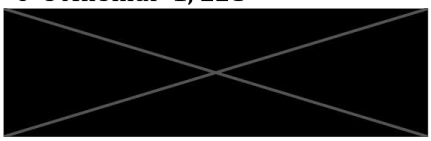
11. Miscellaneous Provisions

11.1 Notices.

All notices, demands, requests, consents and waivers under this Agreement shall be in writing, shall refer to this Agreement and shall be (i) delivered personally, (ii) sent by registered or certified mail, postage prepaid, return receipt requested, or (iii) sent by a nationally recognized overnight courier, addressed as set forth below. If delivered personally, any notice shall be deemed to have been given on the first (1st) business day on or after the date delivered or refused. If mailed, any notice shall be deemed to have been given on the earlier to occur of the first (1st) business day on or after the date of delivery or the third (3rd) business day after such notice has been deposited in the U.S. mail in accordance with this Section 11.1. If sent by overnight courier, any notice shall be deemed to have been given on the first (1st) business day on or after the date following the date such notice was delivered to or picked up by the courier. Copies of all notices shall be given in accordance with the above as follows:

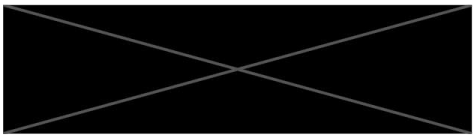
If to the Company, the Manager or Co-Manager Lee Muhl:

c o Anomal 1, LLC



If to the Company, the Manager or Co-Manager John Allen, Jr.:

c/o Anomaly1, LLC



If to one or more of the Non-Managers and/or Investors:

To the names and addresses listed on Exhibit "A" hereof.

Any counsel that may be designated respectively by the Company, the Manager, the individuals listed above or the Investors is hereby authorized to give notices hereunder on behalf of its respective client.

11.2 Governing Law.

(i) **This Agreement shall be interpreted and enforced in accordance with the provisions hereof, without the aid of any canon, custom or rule of law requiring or suggesting construction against the party drafting or causing the drafting of the provision in question.**

(ii) **The Company, the business and all issues arising under or related to this Agreement shall be managed in all respects in accordance with the terms of (i) this Agreement, (ii) the Act, and (iii) the principles of North Carolina law and equity applicable to limited liability companies. Notwithstanding the foregoing sentence, in the event of any conflict between the provisions of this**

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Agreement and "Other Principles of Law" (as defined below), the provisions of this Agreement will control.

(iii) "Other Principles of Law" means any legal or equitable principles of any jurisdiction that could be deemed referable to the subject matter of this Agreement, whether based on or arising from the Act, other statute, regulation, treaty, ordinance, decision of court or other trier of fact, principle of common law, policy or rule of any US federal or state agency, other charter, code, custom and/or usage. For clarity and the avoidance of doubt, this Agreement shall be deemed the controlling authority with respect to all aspects of the relationship between the Company and the Members.

(iv) Any dispute or claim arising out of or in connection with any provision of this Agreement will be resolved through the dispute handling and resolution programs provided by the American Arbitration Association (the "AAA"). If informal resolution techniques such as Conciliation and/or Mediation (as defined by the AAA) do not achieve resolution, any such dispute or claim will be finally settled by binding arbitration in Multnomah County, Oregon as administered by the AAA under the rules of that association then obtaining. Any arbitrator selected shall be required to have substantial experience in matters of film/TV funding, production and distribution and shall apply North Carolina law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute or claim. Judgment on the award rendered by the arbitrator may be entered in any court (the "Courts") having jurisdiction thereof. The parties agree that an appearance or filing by either party in any legal action brought by a party to this Agreement may not be deemed to constitute a waiver of the right to demand Dispute Resolution in the manner set forth in this section.

(v) Each Member hereby irrevocably and unconditionally (i) submits him/her/itself and his/her/its property, solely for the purposes of resolving any dispute or claim arising out of or in connection with any provision of this Agreement to the dispute resolution terms in Subsection 11.2 (iv), (ii) consents to the bringing of any such action or proceeding pursuant to Subsection 11.2 (iv) and waives any objection that it may now or hereafter have to the venue or any such action or proceeding pursuant to Subsection 11.2 (iv), including, without limitation, any objection that such action or proceeding was brought in an inconvenient tribunal, and agrees not to plead or otherwise assert the same, (iii) agrees to service upon it or him of any and all process in any such action or proceeding at the address set forth in Section 11.1 hereof, (iv) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law, and (v) agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties hereto agree that any legal action or proceeding relating to this Agreement shall be brought pursuant to Subsection 11.2 (iv) only; provided, however, that, if any Member breaches or seeks to resist any term, covenant or condition set forth in this Section 11.2, the other Members shall not be bound by the limitations of this sentence with respect to such Member's breaching or seeking to resist any term, covenant or condition of this Section 11.2.

11.3 Waivers.

Except as otherwise expressly provided herein, each Non-Manager irrevocably waives during the Term of the Company any right that it may have:

(i) To cause the Company or any of its assets to be partitioned;

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(ii) **To cause the appointment of a receiver for all or any portion of the assets of the Company;**

(iii) **To compel any sale of all or any portion of the assets of the Company pursuant to applicable law; or**

(iv) **To file a complaint, or to institute any proceeding at law or in equity, to cause the termination, dissolution or liquidation of the Company.**

11.4 Confidentiality.

The terms of this Agreement, the identity of any Person with whom the Company may be holding discussions with respect to any provision of services, investment, acquisition, disposition or other transaction, and all other business, financial and other information relating to the conduct of the business and affairs of the Company or the relative or absolute rights or interests of any of the Members (collectively, "Confidential Information") that (i) is not otherwise available to the public, or (ii) has not been disclosed pursuant to written authorization by the Manager, is confidential and proprietary information of the Company, the disclosure of which would cause irreparable harm to the Company and the Members. Accordingly, each Member represents that it has not disclosed Confidential Information to any Person, and each Member agrees that it and its Affiliates will not, and will direct its shareholders, partners, members, officers, directors, agents and advisors not to, disclose Confidential Information to any Person or confirm any statement made by any Person regarding Confidential Information unless and until the Company has disclosed such Confidential Information pursuant to written authorization by the Manager and has notified each Member in writing that it has done so; provided, however, that any Member (or its Affiliates) may disclose such Confidential Information if required by law (it being specifically understood and agreed that anything set forth in a registration statement or any other document filed pursuant to law will be deemed required by law) or if necessary for it to perform any of its duties or obligations hereunder.

Subject to the provisions of this Section 11.4, each Member agrees not to disclose any Confidential Information to any Person (other than a Person providing consulting services to such Member who agrees to maintain all Confidential Information in strict confidence, or a judge, magistrate or referee in any action, suit or proceeding relating to or arising out of this Agreement or otherwise) and to keep confidential all documents (including, without limitation, responses to discovery requests) containing any Confidential Information. Each Member hereby agrees not to contest any motion for any protective order brought by any other Member represented as being intended by the moving party to implement the purposes of this Section 11.4, provided that, if a Member receives a request to disclose any Confidential Information under the terms of a valid and effective order issued by a court or governmental agency and the order was not sought by or on behalf of or consented to by such Member, such Member may disclose the Confidential Information, but only to the extent required by such order, if the Member as promptly as practicable (i) notifies each of the other Members of the existence, terms and circumstances of the order, (ii) consults in good faith with each of the other Members on the advisability of taking legally-available steps to resist or to narrow such order, and (iii) if disclosure of the Confidential Information is required, exercises its best efforts to obtain a protective order or other reliable assurance that confidential treatment will be accorded to the portion of the disclosed Confidential Information that any other Member designates. The cost (including, without limitation, attorneys' fees and expenses) of obtaining a protective order covering Confidential Information designated by such other Member will be borne by the Company.

Notwithstanding anything in the foregoing or anything else contained in this Agreement to the contrary, each Member (and any employee, representative or other agent thereof) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the offering and ownership of Membership Interests and any transaction described in this Section 11.4 or elsewhere in this Agreement and all materials of any kind (including opinions and other tax analyses) that are provided to such Member relating to such tax treatment and tax structure. For this purpose, "tax structure" means any facts relevant to the federal income tax treatment of the offering and

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ownership of Membership Interests and any transaction described in this Section 11.4 or elsewhere in this Agreement.

The covenants contained in this Section 11.4 shall survive any transfer of a Membership Interest and the dissolution of the Company.

11.5 Amendments.

Other than as expressly set forth herein to the contrary, this Agreement may not be amended except in writing in a manner approved by a Majority Vote of the Members holding voting rights.

11.6 Construction.

Whenever the singular number is used in this Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

11.7 Headings.

The headings in this Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Agreement or any provision hereof.

11.8 Merger Clause: Entirety of Agreement; Non-Waiver.

This Agreement, together with the agreements and instruments delivered pursuant hereto, contains the entire agreement between the parties and supersedes all prior oral or written representations, oral or written agreements and/or oral or written understandings related to the subject matter hereof. This Agreement may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought.

Failure by any party to enforce against any other party any term or provision of this Agreement shall not waive such party's right to enforce against any other party the same or any other term or provision. No waiver by any party hereto of any condition hereunder for its benefit shall constitute a waiver of any other or further right, nor shall any single or partial exercise of any right preclude any other or further exercise thereof or any other rights. The waiver of any breach hereunder shall not be deemed to be a waiver of any other or subsequent breach hereof. No extensions of time for the performance of any obligations shall be deemed or construed as an extension of time for the performance of any other obligation.

11.9 Further Assurances.

Upon the written request of any party hereto, from time to time, from and after the date hereof, the other party or parties shall do, execute, acknowledge and deliver, at the sole cost and expense of the requesting party, such further acts, deeds, conveyances, assignments, notices of assignment or transfer and assurances as the requesting party may reasonably require in order to better assure, convey, grant, assign, transfer and confirm upon the requesting party the rights now or hereafter intended to be granted under this Agreement or any other instrument executed in connection with this Agreement; provided, however, no party shall be obligated to provide any further assurance that would materially increase the liabilities or obligations of such party hereunder or materially reduce the rights and benefits of such party hereunder.

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11.10 Consent.

Except as expressly provided herein that the Manager shall not, in a given case, unreasonably withhold its Consent within a specified period of time, in any instance hereunder where the Manager's consent, approval, acceptance, satisfaction, determination, waiver or other action or decision (collectively, "Consent") is sought or required, such Consent may be withheld, delayed or conditioned by the Manager in its sole and absolute discretion.

11.11 Severability.

If any provision of this Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

11.12 Heirs, Successors and Assigns.

Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Agreement, their respective heirs, legal representatives, successors and assigns.

11.13 Creditors.

None of the provisions of this Agreement shall be for the benefit of, or enforceable by, any creditor of the Company.

11.14 Prevailing Party.

If any Member brings any action, in law or equity, against any other Member or the Company by reason of any claimed breach of any of the covenants, agreements or provisions of this Agreement, then, in such event, the prevailing party, as determined in such action, shall be entitled to have and recover from the other party or parties all costs and expenses of such action or suit, including, without limitation, reasonable attorneys' fees and expenses resulting therefrom, it being understood and agreed that the determination of the prevailing party shall be included in the matters that are the subject of such action.

11.15 Counterparts.

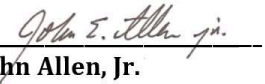
This Agreement may be executed in counterparts, each of which may be transmitted in hard paper copy, as an electronic email attachment, or as a facsimile transmission, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have entered into this Operating Agreement of limited liability company as of the Effective Date.

MANAGING MEMBERS OF ANOMALY1, LLC:



Lee Muhl



John Allen, Jr.

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EXHIBIT "A": MEMBER NAMES AND CONTACT INFORMATION

Co-Manager: Lee Muhl: [redacted]

Co-Manager: John Allen, Jr. [redacted]

Non-Manager: _____

Non-Manager: _____

Non-Manager: _____

Non-Manager: _____

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EXHIBIT "B": CAPITAL CONTRIBUTIONS, PROFITS INTERESTS AND COMPANY PERCENTAGE INTERESTS

1. **Class A Common Members; Vesting; Divesting: Subject to Section 2.1 of this Agreement, and Section 6 of this Exhibit "B," the respective Company Percentage Interests of Class A Common Members will be deemed fully vested as of the Effective Date defined in Section 1 of this Agreement; provided that Class A Common Membership Interests held by Members who are Co-Managers are subject to divestiture of Company Percentage Interests. Should a Co-Manager withdraw, resign or be removed under Section 4.11 of this Agreement, the Co-Manager will be divested of a pro rata share of his Class A Common Membership Interest based on a ratio of i) the days spent working with the Company to ii) a 3 year term. "Days spent working with the Company" shall be deemed to have expired (a) on the effective date of any withdrawal or resignation and/or (b) in the event of any uncured Trigger Event under Section 4.11 of this Agreement. By way of example and for the avoidance of doubt, if the Co-Manager withdraws, resigns or is removed effective on day 181 of year one of employment, the divested Company Membership Interest of the Company would be the ratio of one hundred eighty one (181) days to three (3) years, i.e., one hundred eighty one (181) days to one thousand ninety five (1,095) days. As such, upon such withdrawal, resignation or removal, sixteen point five three percent (16.53%) of the Co-Manager's Company Membership Interest would be deemed vested, and eighty three point four seven percent (83.47%) would be deemed divested. Any divested Class A Membership Interests revert back to the Class A Common Members other than the departing Co-Manager on a pro rata basis in respect to the respective Class A Common Membership Interests of the remaining Co-Managers.**
2. **Tax Reporting: So long as the Company is taxed as a partnership, Members will receive an annual K-1 reflecting distributions that are determined by the Manager in its sole discretion. Upon any conversion to a corporation or upon the Manager's election in its sole discretion that the Company is to be taxed as a corporation, Employees will receive a form "W-2," whereas Members will receive a form "1099 DIV" or other tax form(s) as appropriate.**
3. **Distributions: All distributions shall be determined by the Manager or, in the Manager's sole discretion, by one or more principal executive officers charged with determining distributions, dividends and/or payment of remuneration or other compensation in its/their sole discretion.**
4. **Percentage Interests of Class A Common Members:**
   - **(i) Lee Muhl: 50; and**
   - **(ii) John Allen, Jr.: 50%**
5. **Percentage Interests of Non-Manager Class A Common Members and/or Class B Preferred Members: as determined in one or more Subscription Agreements.**
6. **The Co-Managers listed in Section 4 of this Exhibit "B" agree to make a final determination of respective percentage interests not later than the Allocation Date defined in Section 1 of this Agreement. Such final determination of respective percentage interests shall be made by, and confirmed in writing by a unanimous action and consent of the Co-Managers.**

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EXHIBIT "C": TAX ALLOCATIONS

Section 1. Allocations Of Profits And Losses.

1.1 In General. For accounting and federal, state and local income tax purposes, all Profits and Losses shall be determined and allocated with respect to each year of the Company as of the end of such year and at such other times as the Manager shall determine. Subject to the other provisions of this Agreement, an allocation to a Member of a share of Profits or Losses shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Profits or Losses.

1.2 Allocations of Profits and Losses. After giving effect to the special allocations set forth in Section 2 of this Exhibit C, Profits and Losses with respect to any year shall be allocated to the Members as follows:

1.2.1 First, Profits (or items thereof) shall be allocated to those Members having deficit balances in their Capital Accounts (computed after taking into account all distributions with respect to such taxable period and after adding back each Members' share of Company Minimum Gain and Member Minimum Gain) in proportion to such deficit balances until such deficit balances have been eliminated;

1.2.2 Second, any remaining Profits and Losses shall be allocated among the Members such that each Member's Capital Account balance (computed after taking into account all distributions with respect to such taxable period and increased by such Members' share of Company Minimum Gain and Member Minimum Gain), would, as nearly as possible, be equal to the amount that each Member would receive if all of the remaining assets of the Company were sold for their Book Basis, all liabilities of the Company were satisfied (limited, with respect to nonrecourse liabilities, to the Book Basis of the assets securing such liabilities) and the remaining assets were distributed pursuant to Section 8 of the Agreement, all as of the last day of the period for which the allocations are being made.

1.3 Allocations in Anticipation of Liquidation. Notwithstanding Section 1.2, in any year in which the Company sells substantially all of its assets or liquidates (or in any prior open year if the Manager reasonably believes it necessary to accomplish the purposes of this Section 1.3), each Member shall be allocated Profits or Losses (or items thereof) to the extent necessary to cause its Capital Account balance to reflect the amount that will be distributable to such Member in liquidation of the Company pursuant to the Agreement.

Section 2. Regulatory Allocations.

2.1 Minimum Gain Chargeback. The Manager shall allocate items of Company income and gain among the Members at such times and in such amounts as necessary to satisfy the minimum gain chargeback requirements of Regulation Sections 1.704-2(f) and 1.704-2(i)(4).

2.2 Qualified Income Offset. The Manager shall specially allocate Losses and items of income and gain when and to the extent required to satisfy the "qualified income offset" requirement within the meaning of Regulation Section 1.704-1(b)(2)(ii)(d).

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2.3 Loss Allocations. No allocation of Losses, or items thereof, will be made to any Member if such allocation would create or increase such Members' Adjusted Capital Account Deficit. Any such disallowed allocation will be made to the Members entitled to receive such allocation under the Section 704(b) Regulations. Any Member that would have a deficit balance in its Capital Account in excess of any amount such Member is obligated to restore, or is deemed obligated to restore under Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5), will be specially allocated items of income and gain to eliminate such deficit balance as quickly as possible.

2.4 Nonrecourse Deductions. Nonrecourse Deductions (within the meaning of Regulation Section 1.704-2) will be allocated (as nearly as possible) among the Members pro-rata in proportion to their respective Company Percentage Interests.

2.5 Member Nonrecourse Deductions. Member Nonrecourse Deductions, within the meaning of Regulation Section 1.704-2(i), shall be allocated to the Member who has the economic risk of loss in a manner consistent with requirements of Regulation Sections 1.704-2(i)(2) and 1.704-2(j)(l).

2.6 Code Section 754 Adjustment. To the extent an adjustment to the tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulation Section 1.704-l(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of the adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases basis), and the gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to that Section of the Regulations.

2.7 Guaranteed Payments. To the extent any compensation paid to any Member by the Company is determined by the Internal Revenue Service not to be a guaranteed payment under Code Section 707(c) or is not paid to the Member other than in the Person's capacity as a Member within the meaning of Code Section 707(a), the Member shall be specially allocated gross income of the Company in an amount equal to the amount of that compensation, and the Member's Capital Account shall be adjusted to reflect the payment of that compensation.

Section 3. Special Rules.

3.1. Tax Allocations. Except as provided in Section 3.2 hereof, for federal, state and local income tax purposes, Company income, gain, loss, deduction or expense (or any item thereof) for each year shall be allocated to and among the Members to reflect the allocations made pursuant to the provisions of this Exhibit C for such year.

3.2. Section 704(c) Compliance. In accordance with Section 704(c) of the Code and the applicable Regulations thereunder, income, gain, loss, deduction and tax depreciation with respect to any property that has a Book Basis different than its adjusted tax basis, will, solely for federal income tax purposes, be allocated among the Members in accordance with Section 704(c) of the Code and the Regulations thereunder to take into account such difference, using any method selected in the reasonable determination of the Manager.

3.3. Modifications. The Manager shall be authorized to make appropriate amendments to the allocations of items pursuant to this Exhibit C if necessary in order to comply with Section 704 of the Code or applicable Regulations thereunder; provided that no such change shall have a material adverse effect upon the amount distributable to any Member hereunder.

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3.4 Allocations on Transfer of Interests. In the event there is any Transfer of a Member's Membership Interest during any year, Profits, Losses and other items shall be allocated among the Members from time to time during such year in accordance with Code Section 706 using any convention permitted by law and selected in the reasonable discretion of the Manager.

Section 4. Capital Accounts.

4.1. Establishment and Maintenance. A separate Capital Account will be maintained for each Member pursuant to the requirements set forth in Regulation Section 1.704-1(b)(2)(iv). The Capital Account of each Member will be determined and adjusted as follows:

4.1.1. Each Member's Capital Account will be credited with the fair market value of a Member's Capital Contributions, the Member's distributive share of Profits, and the amount of any Company liabilities that are assumed by the Member or secured by any Company property distributed to the Member.

4.1.2. Each Member's Capital Account will be debited with the amount of cash and the Book Basis of any Company property distributed to the Member under any provision of this Agreement, the Member's distributive share of Losses and the amount of any liabilities of the Member assumed by the Company or that are secured by any property contributed by the Member to the Company.

4.1.3. The Capital Account of the Member also shall be adjusted appropriately to reflect any other adjustment required pursuant to Regulation Section 1.704-1 or 1.704-2, including, without limitation, the requirements set forth in Regulation Sections 1.704-1(b)(2)(iv)(g) and 1.704-1(b)(2)(iv)(m).

4.1.4. If any Membership Interest is transferred in accordance with the terms of the Agreement, the transferee will succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.

Section 5. Other Matters.

5.1. Distributions in Kind. If any assets of the Company are distributed in kind pursuant to this Agreement, the amount of Profit or Loss that would have been realized had such assets been sold at their fair market value shall be allocated to the Capital Accounts of the Members pursuant to this Exhibit C immediately prior to such distribution.

5.2. Classification as a Partnership. The Manager shall have the right in its sole discretion to make an election to treat the Company as an association pursuant to Regulation Section 301.7701-3 (and thus a corporation under Regulation Section 301.7701-2(b)(2)).

5.3. Fiscal Year. Except as otherwise required by the Code, the Fiscal Year of the Company for tax and accounting purposes shall be the 12 month (or shorter) period ending on the last day of December of each year.

Section 6. Definitions.

Unless otherwise defined in this Exhibit C, all capitalized terms shall have the meanings ascribed to such terms in the Agreement.

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"Adjusted Capital Account Deficit" means, with respect to any Member for any taxable year, the deficit balance, if any, in such Member's Capital Account as of the end of such taxable year, as the same is specially computed to reflect the adjustments required or permitted to be taken into account in applying Regulations Section 1.704-1(b)(2)(ii)(d) (including any amount such Member is obligated to restore or is deemed obligated to restore under Regulation Section 1.704-2(g)(1) and 1.704-2(i)(5)).

"Book Basis" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes; provided*, however*, (a) if property is contributed to the Company, the initial Book Basis of such Property will equal its fair market value on the date of contribution, and (b) if the Capital Accounts of the Company are adjusted pursuant to Regulation Section 1.704-1(b) to reflect the fair market value of any Company assets, the Book Basis of such assets will be adjusted to equal its respective fair market value as of the time of such adjustment in accordance with such Regulation. The Book Basis of all assets will be further adjusted thereafter by depreciation or amortization as provided in Regulation Section 1.704-1(b)(2)(iv)(g).

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company Minimum Gain" means "partnership minimum gain" as defined in Regulation Section 1.704-2(b)(2).

"Member Minimum Gain" means "partner nonrecourse debt minimum gain" as defined in Regulation Section 1.704-2(i)(2).

"Member Nonrecourse Debt" means "partner nonrecourse debt" as defined in Regulation Section 1.704-2(b)(4).

"Profits" and "Losses" mean, for each taxable year or other period, an amount equal to the Company's taxable income or loss for the year or other period, determined in accordance with Section 703(a) of the Code (including all items of income, gain, loss or deduction required to be stated separately under Section 703(a)(1) of the Code), with the following adjustments:

(a) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses will be added to taxable income or loss;

(b) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as Section 705(a)(2)(B) expenditures under Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses, will be subtracted from taxable income or loss;

(c) Gain or loss resulting from any disposition of Company Property with respect to which gain or loss is recognized for federal income tax purposes will be computed by reference to the Book Basis of the Company Property, notwithstanding that the adjusted tax basis of the Company Property differs from its Book Basis;

(d) Any depreciation, amortization and other cost recovery deductions shall be subject to the rules set forth in Regulations Section 1.704-1(b)(2)(iv)(g); and

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(e) Profits or Losses of the Company shall be computed without regard to the amount of any items of gross income, gain, loss or deduction that are specially allocated under Section 2 hereof.

"Regulations" means the regulations promulgated by the United States Department of the Treasury pursuant to and in respect of provisions of the Code. All references herein to sections of the Regulations shall include any corresponding provisions of succeeding, similar, substitute proposed or final Regulations.

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