

**LIMITED LIABILITY COMPANY AGREEMENT
OF
ZH&L, LLC,
A WASHINGTON LIMITED LIABILITY COMPANY**

This LIMITED LIABILITY COMPANY AGREEMENT (“Agreement”) of ZH&L LLC, a Washington State limited liability company (the “Company”) is entered into and will be effective as of the Effective Date, and is dated for reference purposes as of 6 February, 2019, by and among (i) Escalade Properties (the “Investor Member”) and (ii) Zxxxx & Hxxxxx Xxxxxx (the “Special Member”).

**ARTICLE 1.
DEFINITIONS**

The following terms used in this Agreement will have the following meanings:

1.1 “Act” means the state of Washington’s limited liability company act, as in effect on the date of filing of the Articles with the Washington Secretary of State or corresponding provisions of subsequent superseding Washington state law.

1.2 “Acquiring Member” is defined in Section ARTICLE 8.8.7(c).

1.3 “Additional Member” means a Member, other than the Investor Member or Special Member, who has acquired a Membership Interest from the Company.

1.4 “Adjusted Deficit” is defined in Section A.1 of Appendix 1.

1.5 “Affiliate” of a Person means any Person which, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with a Member or the Manager. The terms, “control,” “controlled” or “controlling” include, without limitation: (i) the ownership, control or power to vote ten percent (10%) or more of the beneficial interests of any such Person, directly or indirectly, or acting through one or more Persons; (ii) the control in any manner over the manager, or the election of more than one manager, director or trustee (or Persons exercising similar functions) of such Person; or (iii) the power to exercise, directly or indirectly, control over the management or policies of such Person.

1.6 “Agreement” means this Limited Liability Company Agreement as originally executed and as amended or restated from time-to-time.

1.7 “Articles” means the Certificate of Organization of the Company as filed with the Washington Secretary of State, as the same may be amended or restated from time to time.

1.8 “Business Day” means any day other than (i) Saturday, (ii) Sunday, or (iii) any legal holiday observed by national banks in the city of Spokane, Washington.

1.9 “Capital Account” is defined in Section A.1 of Appendix 1.

1.10 “Code” means the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws, and to the extent applicable, the Regulations.

1.11 “Company” means ZH&L, LLC, a Washington limited liability company.

1.12 “Company Property” means that certain real property generally located at 2714 E Nora Ave, Spokane WA 99207 and legally described as set forth on Exhibit B.

1.13 “Confidential Matter” means financial information or material proprietary to the Company or proprietary to others and entrusted to the Company, whether written or oral, tangible or intangible, which a Member obtains knowledge of through or as a result of the Member’s activities on behalf of the Company.

1.14 “Contribution” means, with respect to any Person the initial amount of capital contributed to the Company by a Member pursuant to Section ARTICLE 5.5.1 of this Agreement and any Additional Contributions contributed to the Company by a Member pursuant to Section ARTICLE 5.5.1. Each Member’s initial Contribution in respect of that Partner’s subscription for a Membership Interest in the Company is reflected on the attached Exhibit A.

1.15 “Controlling Interest” is defined in Section ARTICLE 8.8.1(b).

1.16 “Depreciation” is defined in Section A.1 of Appendix A.

1.17 “Dissolution Event” is defined in Section ARTICLE 10.10.3.

1.18 “Economic Rights” means a Peron’s share of the Profits, Losses and distributions of Company Property pursuant to the Act, the Articles and this Agreement; provided, that Economic Rights do not include any management or voting rights.

1.19 “Effective Date” means 6 February, 2019.

1.20 “Entity” means any general partnership, limited partnership, limited liability partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, unincorporated organization, government or any agency or political subdivision thereof, joint stock company or other business organization, including, without limitation, any foreign trust or foreign business organization.

1.21 “Fiscal Year” means the Company’s fiscal year, which will be a calendar year, to the extent permitted under Code § 706, and otherwise, as determined pursuant to Code § 706.

1.22 “Majority” or “Majority Vote” means, with respect to the Members entitled to vote on a matter, at least fifty and one-tenth percent (50.1%), in terms of Membership Interests, of all such Members, including the Manager if the Manager is a Members.

1.23 “Manager” means Escalade Properties.

1.24 “Member” means the Investor Member and Special Member, as the initial Members, and each Person who may hereafter become an Additional Member or Substitute Member. Reference to a Member will include his or her spouse, except as otherwise noted. A Person may become a member by execution of a subscription agreement in a form and content satisfactory to the Manager.

1.25 “Membership Interest” means a Member’s entire interest in the Company, including, without limitation, that Member’s Economic Rights and voting rights.

1.26 “Net Cash” means the gross cash proceeds from Company operations (other than proceeds from capital transactions, discussed below), less the portion thereof used to pay or establish reserves for all Company expenditures and contingencies, and less any non-cash proceeds that may not, for any reason, yet be distributable, all as determined by the Manager. The Company does not anticipate having any Net Cash to distribute to the Members.

1.27 “Net Capital Transaction Proceeds” Means the net cash proceeds resulting from the refinance, sale, disposition, exchange or other transfer the Company Property, less any portion thereof used wind down and dissolve the Company as determined by the Manager.

1.28 “Person or Persons” means any natural person or Entity, and the heirs, executors, administrators, legal representatives, successors, and assigns thereof, where the context so requires.

1.29 “Permitted Transfer” means a Transfer of a Person’s Membership Interest in the Company in accordance with Section ARTICLE 8.8.2.

1.30 “Profits” and “Losses” are defined in Section A.1 of Appendix 1.

1.31 “Regulations” means proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Articles and the corresponding sections of any regulations subsequently issued that amend or supersede such regulations.

1.32 “Sharing Ratio” means those proportions shown on Exhibit A, as the same may be adjusted as provided in this Agreement.

1.33 “Substitute Member” means a Person who would otherwise be a Transferee but who has been admitted to all of the rights of membership (including voting rights), in accordance with Section ARTICLE 8.8.8, as to the portion of a Member’s Membership Interest being Transferred.

1.34 “Transferee” means the owner of Economic Rights who is not a Member.

1.35 “Transfer” means, as a noun, any voluntary or involuntary transfer, sale, assignment, pledge, hypothecation, mortgage, charge, encumbrance, or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, assign, pledge, hypothecate, mortgage, charge, encumber, or otherwise dispose.

1.36 “Transferor” means a Person who attempts to Transfer all or a portion of the Person’s interest in the Company.

1.37 “Transferring Member” is defined in Section ARTICLE 8.8.7(c).

1.38 “Unrecovered Capital Account” is defined in Section A.1 of Appendix 1.

ARTICLE 2. ORGANIZATION OF COMPANY

2.1 **Organization.** Pursuant to the Act, the Members have caused to be formed ZH&L, LLC, a limited liability company under the laws of the state of Washington by filing the Articles with the Washington Secretary of State. The rights and liabilities of the Members will be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be absent such provision, this Agreement, to the extent permitted by the Act, will control.

2.2 Name. The name of the Company shall be ZH&L, LLC, a Washington State limited liability company, or such other name or names as may be selected by the Manager from time to time, and its business shall be carried on in such name with such variations and changes as the Manager deem necessary to comply with the requirements of the jurisdiction in which the Company's operations are conducted. The Manager shall give the Members prompt written notice of any change in the name of the Company.

2.3 Nature of Business. The Company is a private investment enterprise. The purpose of the Company is to rehabilitate and then sell the Company Property.

2.4 Term of the Company. The Company shall continue in existence until the Company Property is sold at which point the Manager shall dissolve and wind up the Company in compliance with the provisions of this Agreement and the Act.

2.5 Defects as to Formalities. A failure to observe any formalities or requirements of this Agreement, the Articles or the Act will not be grounds for imposing personal liability on the Members for liabilities of the Company.

2.6 Registered Office and Registered Agent. The Company's initial registered office will be at the location of the registered agent, Lee Arnold, and the address of such agent is 701 E Front Ave, 2nd Floor, Coeur d'Alene, Id 83814.

2.7 No Partnership Intended for Non-Tax Purposes. The Members have formed the Company under the Act, and expressly do not intend hereby to form a general or limited partnership, a limited liability partnership or a corporation. The Members do not intend to be partners one to another, or partners as to any third party. To the extent any Member or Transferee, by word or action, represents to another Person that any other Member or Transferee is a partner or that the Company is a partnership, the Member or Transferee making such wrongful representation shall be liable to any other Member or Transferee who incurs personal liability by reason of such wrongful representation.

2.8 Rights of Creditors and Third Parties. This Agreement is entered into among the Investor Member and Special Member for the exclusive benefit of the Company, its Members, the Manager, and its respective permitted successors and permitted assigns. The Agreement is expressly not intended for the benefit of any creditor of the Company or any other Person. Except and only to the extent provided by applicable statute, no such creditor or third party will have any rights under the Agreement or any agreement between the Company and any Member with respect to any Contribution or otherwise.

2.9 Title to Company Property. The Company Property will be owned by the Company as an entity separate and distinct from its owners and no Member or Transferee will have any individual ownership interest in the Company Property in name or right, and each Member's and Transferee's interest in the Company will be personal property for all purposes. The Company shall hold the Company Property in the name of the Company and not in the name or names of any Member or Transferee.

2.10 Payments of Individual Obligations. The Company's credit and assets will be used solely for the benefit of the Company, and no asset of the Company will be Transferred or encumbered for or in payment of any individual obligation of any Member or Transferee.

2.11 Organization, Registration and Renewal Expenses. The Company shall pay all expenses incurred in connection with the formation, organization, registration, and licensing of the

Company. Such expenses may include, without limitation, fees of legal counsel, fees of resident agents, insurance, registration fees, license renewals, annual reports, fees and costs associated with purchase and sale agreements, agency fees and third party reports. The Company shall undergo an annual audit for the protection of the Manager and the Members. The expense of said audit will be paid by the Company. Each Member, however, shall bear its own expenses in connection with its consideration of an investment and its acquisition of a Membership Interest in the Company, including, without limitation, the fees of any attorney, financial advisor or other consultant.

ARTICLE 3. **MEMBERS; POTENTIAL CONFLICTS**

3.1 Authority to Act. Except to the extent expressly required by this Agreement, no Member or Transferee may participate in the management or control of the Company's business, nor may it transact any business for the Company, nor will any Member or Transferee have the power to act for or bind the Company, such power being vested solely and exclusively in the Manager as provided in this Agreement.

3.2 Majority Vote. The following matters require approval of a Majority of the Members:

(a) The appointment of a new Manager upon the resignation or withdrawal of the Manager, as described in Section 4.2; and

(b) Authorizing the Manager to solicit additional Contributions; and

(c) Certain material amendments to this Agreement, as described in ARTICLE 13.

3.3 Meetings of Members. The Manager, or Members by Majority Vote, may at any time call a meeting. Written notice of each Member's meeting stating the time, place, and purpose(s) which such meeting is called will be given by the Manager to all Members, not less than ten (10) days prior to the date of the meeting. If mailed with first-class postage, such notice will be deemed to be effective on the third (3rd) Business Day after the date on which the same was deposited in the mail. If the notice is transmitted to a Member's email address or fax number appearing on the records of the Company, the notice is effective when transmitted.

At any meeting of the Members, a Member shall be entitled to cast one vote for each one percent (1.00%) Membership Interest attributable to that Member, in person, by written proxy, or by a signed writing directing the manner in which said Member desires that its vote be cast, which writing must be received by the Manager prior to such meeting.

Any action that may be taken by Members at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the Members having votes not less than the minimum votes that would be necessary to authorize or take that action at a meeting. Any such consent may be signed in counterparts and delivered via facsimile or other electronic media.

3.4 Limitation of Liability. The liability of Members and Transferees will be limited as set forth in this Agreement, the Act and other applicable law. Except as otherwise provided by law, a Member or Transferee will not be personally liable for debts, losses, obligations, or liabilities of the Company, whether that debt, loss, obligation, or liability arises in contract, tort, or otherwise. Each Member acknowledges; however, that its Contribution obligation is Company Property and will be subject to claims of Company creditors.

To the fullest extent permitted by law, the Company shall indemnify, defend and hold harmless each Member from and against any and all claims, actions, demands, obligations, liabilities, losses, damages, costs, and expenses (including, without limitation, attorneys' fees and costs) arising from or related to (i) such party's status as a Member; (ii) any act performed in good faith within the scope of the authority conferred by this Agreement; (iii) any failure or refusal to perform any act except those required by the terms of this Agreement; and (iv) any performance or omission to perform any acts based on reasonable, good faith reliance on the advice of accountants or legal counsel of the Company, provided that no indemnification will be given in respect of acts or omissions which constitute fraud, gross negligence, willful misconduct, or a material breach of this Agreement.

3.5 Books, Records, Reports and Information. Each Member will have the right to receive the reports and information required to be provided by this Agreement. Upon reasonable request, each Member, and the Member's agents and professional advisors may, during ordinary business hours, inspect and copy, at the requesting Member's expense, the books and records that the Company is required, by the Act and this Agreement, to keep. A reasonable request shall mean five (5) Business Days prior to the proposed date a Member, or the Member's agents and professional advisors, desires to inspect or copy the Company's books and records.

3.6 Duty of Loyalty. Each Member may enter into transactions that may be considered to be competitive with, or a business opportunity that may be beneficial to, the Company, it being expressly understood that some of the Members may enter into transactions that are similar to the transactions into which the Company may enter and the Company and each Member waives the right to claim to participate therein. Notwithstanding the foregoing: (i) each Member shall account to the Company and hold, as trustee for it, any property, profit or benefit derived by the Member, without the consent of the Manager, in the formation, conduct and winding up of the Company business or from a use or appropriation by the Member of Company Property, including information developed exclusively for the Company; and (ii) no member may utilize Company Property for any purpose other than a Company purpose.

3.7 Other Self-Interest. A Member does not violate a duty of obligation to the Company merely because such Member's conduct furthers the interest of the Member. A Member may lend money to and transact other business with the Company only if approved or ratified by the Manager in accordance with this Agreement. The rights and obligations of a Member who lends money to or transacts business with the Company are the same as those of a Person who is not a Member, subject to other applicable law. No transaction with the Company will be voidable solely because a Member has a direct or indirect interest in the transaction if the transaction is approved or ratified by the Manager as provided for in this Agreement.

3.8 Confidential Information. Each Member agrees, as set forth below, with respect to any information pertaining to this Agreement, the Company Property, the Company, the Company's business, the Manager or its respective Affiliates that is provided to such Member pursuant to this Agreement or otherwise (collectively, "Confidential Matter"), to treat as confidential all such information, together with any analyses, studies or other documents, information, materials or records prepared by such Member, its Affiliates, or any representative or other Person acting on behalf of such Member (collectively, its "Authorized Representatives"), which contain or otherwise reflect or are generated from Confidential Matters, and will not permit any of its Authorized Representatives to, disclose any Confidential Matter, provided that any Member (or its Authorized Representative) may disclose any such information: (i) as has become generally available to the public; (ii) as may be required or appropriate in any report, statement or testimony submitted to any governmental authority having or claiming to have jurisdiction over such Member (or its Authorized Representative) but only that portion of the data and information which, in the written opinion of counsel for such Member or Authorized Representative is required or would be required to be furnished to avoid liability for

contempt or the imposition of any other material judicial or governmental penalty or censure; (iii) as may be required or appropriate in response to any summons or subpoena or in connection with any litigation; or (iv) as to which the Manager have consented in writing.

ARTICLE 4. **MANAGEMENT**

4.1 Managed by Managers. Lee Arnold shall be the initial “Manager” of the Company. Subject to Section 4.4, the Manager will be the manager of the Company and in such capacity will have full responsibility and exclusive and complete discretion in the management and control of the business and affairs of the Company, will make all decisions affecting the Company’s business and affairs, and will have full, complete and exclusive discretion to take any and all action the Company is authorized to take and to make all decisions with respect thereto. The Manager is not required to be a Member. If, however, the Manager is also a Member, the Manager (in addition to, and not in lieu of, any rights it may have in its capacity as a Manager) will be entitled to all rights of a Member under this Agreement, including, without limitation, the right to receive distributions as a Member.

4.2 Manager’s Term of Office. The Manager cannot be removed, although the Manager may voluntarily withdraw or resign. Other than as provided in this Section, the Manager shall serve the Company until the Company is dissolved and wound up as provided in ARTICLE 10. If a Manager withdraws or resigns, a Majority Vote of the Members will be required to appoint a new Manager.

4.3 Authority of Manager to Bind the Company. The Members hereby agree that only the Manager, and authorized agents of the Company specifically designated by the Manager via a Manager’ resolution, will have the authority to bind the Company. No Member, other than the Manager, are authorized to take any action as a Member to bind the Company, and each Member shall indemnify the Company for any costs or damages incurred by the Company as a result of the unauthorized actions of such Member.

4.4 Powers of the Manager. The Manager have the power and authority, on behalf of the Company, to do all things necessary or convenient to carry out the business and affairs of the Company, including, without limitation, the power and authority to:

- (a) manage the rehabilitation of the Company Property;
- (b) employ such rehabilitation professionals as are necessary for the rehabilitation of the Company Property;
- (c) employ such real estate professionals as are necessary to market and sell the Company Property;
- (d) open, have, maintain and close bank, including the power to draw checks or other orders for the payment of money;
- (e) bring and defend actions and proceedings at law or in equity or before any governmental, administrative or other regulatory agency, body or commission;
- (f) pay, collect, compromise or otherwise adjust or settle any claims or demands of or against the Company;
- (g) cause the Company to enter into and carry out the terms or subscription agreements from prospective Members without any further act, approval or vote of any Member;

(h) approve or ratify any transactions involving an actual or potential conflict of interest, direct or indirect, between a Member (including, if applicable, the Manager), or any Affiliated or related Persons, and the Company;

(i) determine the Net Cash available for, and the timing of, distributions pursuant to this Agreement;

(j) determine the Net Capital Transaction Proceeds available for distribution and the timing of any such distributions pursuant to this Agreement;

(k) cause the Company to borrow money from, and repay sums to, and refinance indebtedness with any third-party lender and execute any and all loan documents, except where financial recourse obligations of a Member are involved, in which case all potentially liable Members, if any, must then consent;

(l) borrow money from any Person, in furtherance of the Company's business, upon terms and conditions as the Manager determines;

(m) make all elections, investigations, evaluations and decisions, and enter into (binding the Company thereby) and carry out contracts and agreements of every kind, and take all such further action that may, in the sole discretion of the Manager, be necessary or appropriate for the accomplishment of the Company's purposes;

(n) engage attorneys, real estate agents, real estate brokers, accountants and other experienced professional necessary to carry out the objectives of the Company and for the protection of the Company and Members; and

(o) carry on any other activities necessary to, in connection with, or incidental to any of the foregoing or the Company's business.

4.5 Manager' Duties; Standard of Care. The Manager' duty of care in the discharge of the Manager' duties to the Company and other Members is limited to refraining from acts or omissions of gross negligence or reckless conduct, intentional misconduct, or a knowing violation of the law. In discharging its duties, the Manager will be fully protected in relying in good faith upon the records required to be maintained hereunder, or pursuant to the Act, and upon such information, opinions, reports, or statements, by any of the Members, agents, or by any other Person as to matters the Manager reasonably believes are within such Person's professional or expert information, opinions, reports, or statements as to the value and amount of the assets, liabilities, Profits or Losses of the Company or any other facts pertinent to the existence and amount of assets from which distributions to Members might be paid.

4.6 Liability of the Manager. The Manager will not be liable as such for the liabilities of the Company. Failure of the Company to observe formalities or requirements relating to the exercise of its powers or management of its business or affairs under this Agreement or the Act will not be grounds for imposing personal liability on the Manager for liabilities of the Company.

4.7 Indemnification. The Company shall indemnify, defend, and hold the Manager (and each Affiliate of the Manager) harmless from and against all claims, actions, demands, obligations, liabilities, losses, costs and expenses (including, without limitation, attorneys' fees and costs) paid or accrued by the Manager in connection with the business of the Company, to the fullest extent provided or allowed by the laws of the State of Washington; *provided*, that no indemnification will be given in respect of acts or omissions which constitute fraud, gross negligence, willful misconduct, or a material breach of

this Agreement. Further, the Company shall indemnify and hold the Manager and its Affiliates harmless from and against any personal loss arising from its guaranty of any loan incurred for the benefit of the Company or from its making of any environmental indemnity or any substantially similar undertaking for the benefit of the Company.

ARTICLE 5. **CAPITAL CONTRIBUTIONS**

5.1 Initial Contributions. Each Member shall initially make the Contributions described in the initial Exhibit A in exchange for such Member's Membership Interest. The Company shall maintain Capital Accounts in the manner described in Appendix 1. Each Member has initially contributed that cash set forth on Exhibit A and no property or other services.

5.2 Additional Contributions. Members and Transferees will not be required to make additional Contributions. If the Manager determines, in the Manager's sole discretion, that additional capital is necessary, the Manager may raise additional capital; provided, however, such additional capital must come from existing Members and Transferees, each of whom will have the right to make additional Contributions in the proportion its Sharing Ratio bears to the sum of the Sharing Ratios of the Members and Transferees. If one Member elects not to contribute additional capital, then such Member will have his Sharing Ratio downwardly adjusted if the other Member contributes.

5.3 Recoupment of Contribution. Except as provided in Section ARTICLE 6.6.4 and in ARTICLE 10: (i) no Member or Transferee will receive any recoupment or payment on account of or with respect to Contributions; (ii) no Member or Transferee will be entitled to interest on or with respect to any Contributions; (iii) no Member or Transferee will be entitled to withdraw any part of any Contribution; and (iv) no Member or Transferee will be entitled to receive any distributions from the Company.

ARTICLE 6. **DISTRIBUTIONS**

6.1 General. Except as otherwise provided in the Act, the Articles and this Agreement, no Person will have priority over any other Person as to the return of Contributions, distributions, or allocations, no Person will have the right or power to demand or receive a distribution in a form other than cash and no Person may be required or compelled to accept a distribution of any Company Property other than cash in lieu of a proportional distribution of cash being made to other Persons, to the extent that the interest distributed would exceed the Person's pro rata share of operating or liquidating distributions.

6.2 Distributions of Net Cash. The Manager shall cause the Company to distribute one hundred percent (100%) of the Net Cash (if Net Cash is available) to the Members (including the Manager, if the Manager is a Members) and Transferees as follows:

6.3 To all Members and Transferees, pro rata according to their positive Unrecovered Capital Accounts.

6.4 Distributions of Net Capital Transaction Proceeds. Upon the sale of the Company Property, the Manager shall cause the Company to distribute one hundred percent (100%) of the Net Capital Transaction Proceeds to the Members as follows:

6.5 First, to the Special Member in an amount equal to its positive Unrecovered Capital Account;

6.6 Second, to Investor Member in an amount equal to its positive Unrecovered Capital Account; and

6.7 Third, fifty percent (50%) to the Investor Member and fifty percent (50%) to the Special Member.

6.8 Liquidating Distributions. In the event the Company is dissolved and the business and affairs of the Company are wound up, distributions will be made pursuant to ARTICLE 10.

6.9 Amounts Withheld. All amounts withheld, pursuant to the Code or any provision of any state or local tax law with respect to any payment, distribution or allocation to the Members and Transferees, will be treated as amounts distributed to the Persons pursuant to this Article. The Company is authorized to withhold from distributions, or with respect to allocations, and to pay over to any federal, state or local government, any amounts required to be so withheld pursuant to the Code or any provisions of any other federal, state or local law and shall allocate any such amounts to the Members or Transferees with respect to which such amounts were withheld.

6.10 No Required Tax Distributions. The Company will not be required to make any distributions to any Members or Transferees and Members' and Transferees' foreign, federal, state, and local tax obligations arising in respect to their interests in the Company may exceed the actual cash distributions received by a Member of Transferee.

ARTICLE 7. ALLOCATIONS

7.1 After making any special allocations required under Appendix 1, Profits and Losses of the Company (and each item of income, gain, loss, and deduction entering into the computation thereof) for each Fiscal Year, will be allocated among the Members and Transferees as follows:

7.2 Hypothetical Liquidation. The items of income, gain, loss and expense of the Company comprising Profits and Losses for a Fiscal Year will be allocated among the Persons who were Members and Transferees during such Fiscal Year in a manner that will, as nearly as possible, cause the Capital Account balance of each Member or Transferee at the end of such Fiscal Year to equal the excess (which may be negative) of:

(a) The amount of the hypothetical distribution (if any) that the Manager and such Member or Transferee would receive if, on the last day of the Fiscal Year, (i) all Company assets, including cash, were sold for cash in an amount equal to their Gross Asset Values, taking into account any adjustments thereto for such Fiscal Year, (ii) all Company liabilities were satisfied in cash according to their terms (limited, with respect to each Nonrecourse Liability or Member Nonrecourse Debt in respect of such Member, to the Gross Asset Values of the assets securing such liability), and (iii) the net proceeds thereof (after satisfaction of such liabilities) were distributed in full pursuant to Sections ARTICLE 6.6.4 and ARTICLE 10.10.4, over

(b) The sum of (i) the amount, if any, without duplication, that such Member or Transferee would be obligated to contribute to the capital of the Company, (ii) such Member's share of Company Minimum Gain determined pursuant to Regulation § 1.704-2(g), and (iii) such Member's share of Member Nonrecourse Debt Minimum Gain determined pursuant to Regulations § 1.704-2(i)(5), all computed as of the hypothetical sale described in Section 7.2(a) above.

7.3 Determination of Items Comprising Allocations.

(a) In the event that the Company has Profits for a Fiscal Year:

(1) For the Manager and any Member or Transferee as to whom the allocation pursuant to Section 7.2 would reduce its Capital Account, such allocation will be comprised of a proportionate share of each of the Company's items of expense or loss entering into the computation of Profits for such Fiscal Year; and

(2) The allocation pursuant to Section 7.2 in respect of the Manager and each Member or Transferee other than the Manager or a Member or Transferee referred to in Section 7.3(a)(1) will be comprised of a proportionate share of each Company item of income, gain, expense and loss entering into the computation of Profits for such Fiscal Year (other than the portion of each Company item of expense and loss, if any, that is allocated pursuant to Section 7.3(a)(1)).

(b) In the event the Company has Losses for a Fiscal Year:

(1) For the Manager and any Member or Transferee as to whom the allocation pursuant to Section 7.2 would increase its Capital Account, such allocation will be comprised of a proportionate share of the Company's items of income and gain entering into the computation of Losses for such Fiscal Year; and

(2) The allocation pursuant to Section 7.2 in respect of the Manager and each Member or Transferee other than the Manager or any Member or Transferee referred to in Section 7.3(b)(1) will be comprised of a proportionate share of each Company item of income, gain, expense and loss entering into the computation of Losses for such Fiscal Year (other than the portion of each Company item of income and gain, if any, that is allocated pursuant to Section 7.3(b)(1)).

ARTICLE 8.

TRANSFERS OF MEMBERSHIP INTEREST

8.1 Restrictions on Transfers.

(a) Except as otherwise permitted by this Agreement, no Member or Transferee may Transfer all or any portion of such Person's interest in the Company.

(b) A Transfer of a Controlling Interest in a Member or Transferee that is an Entity will constitute a Transfer of such Entity's Membership Interest in the Company. For purposes of this paragraph, "**Controlling Interest**" means thirty percent (30%) or more of the voting rights of any Member or the interest of (i) a manager of any Member that is a limited liability company or (ii) a general or managing partner of any Member who is a partnership.

8.2 Permitted Transfers. Subject to the conditions and restrictions set forth in Section 9.3 and Section 9.6, a Member or Transferee may at any time Transfer all or any portion of such Person's interests in the Company (a "**Permitted Transfer**") to:

(a) Any other Member;

(b) Heirs or devisees upon death;

(c) Transfers for no consideration by a Member to the trustees of a trust revocable by such Member alone, the beneficiaries of which consist solely of such Member and permitted transferees enumerated in clause (f) below;

(d) Transfers for no consideration by a Member to the trustees of an irrevocable trust, the beneficiaries of which consist solely of such Member and permitted transferees enumerated in clause (f) below;

(e) Transfers for no consideration between a Member and such Member's legal guardian or conservator;

(f) Transfers for no consideration of the Membership Interest of a Member to the spouse of such Member, to any of such Member's children or their issue (or to custodians for the benefit of minor children or issue);

(g) Transfers involving distributions from a Member which is a qualified retirement plan to one or more beneficiaries thereof, with or without consideration, or in a rollover to another qualified plan, trustee or administrator; or

(h) Any other Person so long as the Transfer is approved by the Manager.

8.3 Any such Person will be deemed a Substitute Member as provided herein, but only upon compliance with Section 8.4 and Section 8.8.

8.4 Conditions to Permitted Transfers. Notwithstanding any provision of this Agreement to the contrary, a Transfer will not be treated as a Permitted Transfer under Section 8.2 unless and until the following conditions are satisfied or waived by the Manager, in its sole discretion:

(a) Except in the case of a Transfer of a Person's interests in the Company at death, the Transferor and Transferee shall execute and deliver to the Company such documents and instruments of conveyance as may be necessary or appropriate in the opinion of counsel to the Company to effect such Transfer and to confirm the agreement of the Transferee to be bound by this Agreement. In the case of a Transfer of a Person's interests in the Company at death, (i) the Transfer must be confirmed by presentation to the Company of legal evidence of such Transfer, in form and substance satisfactory to counsel to the Company and (ii) the Transferor and the Transferee shall execute and deliver to the Company such documents and instruments in the opinion of counsel to confirm the agreement of the Transferee to be bound by this Agreement. In all cases, the Company will be reimbursed by the Transferor and/or Transferee for all costs and expenses that it reasonable incurs in connection with such transfer.

(b) The Transferor and Transferee shall furnish the Company with the Transferee's taxpayer identification number, sufficient information to determine the Transferee's initial tax basis in the Transferred interests, and any other information reasonably necessary to permit the Company to file all required federal and state tax returns and other legally required information statements or returns. Without limiting the generality of the foregoing, the Company will not be required to make any distribution otherwise provided for in this Agreement with respect to any Transfer or Transferee until it has received such information.

(c) Except in the case of a Transfer of a Person's interests in the Company at death, either, the Transferor shall provide a written opinion of counsel, in a form and from counsel satisfactory to the Company in its sole discretion, to the effect that such Transfer is exempt from

all applicable registration requirements and that such Transfer will not violate any applicable laws regulating the Transfer of securities.

(d) The Transferor shall provide an opinion of counsel, in a form and from counsel satisfactory to the Company in its sole discretion, to the effect that such Transfer will not:

(1) cause the Company to be taxable as a corporation or association under the Code;

(2) violate the laws of any state or the rules and regulations of any governmental authority applicable to such Transfer; and

(3) pose a material risk that the Company will be treated as a “publicly traded partnership” within the meaning of section 7704 of the Code and the Regulations promulgated thereunder and would not make the Company ineligible for “safe harbor” treatment under section 7704 of the Code and the Regulations promulgated thereunder.

(e) The Company and Transferor must comply with all restrictions on Transfer, if any, required by lenders to the Company.

(f) No Transfer of an interest may be made if such Transfer, when added to the total of all other interests Transferred within a period of twelve (12) consecutive months prior thereto, would, in the opinion of counsel for the Company, result in the Company’s being terminated within the meaning of Section 708 of the Code.

(g) The Transferor shall pay or reimburse the Company for all reasonable legal, filing, and publication costs that the Company incurs in connection with the Transfer.

8.5 Prohibited Transfers. Any purported Transfer of a Person’s interests in the Company that is not a Permitted Transfer will be null and void and of no force or effect; *provided that*, if the Company is required to recognize a Transfer that is not a Permitted Transfer (or if the Company, acting by the Manager, in its sole discretion, elects to recognize a Transfer that is not a Permitted Transfer and does not admit the Transferee as a Substitute Member), the interest Transferred will be strictly limited to the Transferor’s Economic Rights with respect to the Transferred interests, with distributions first applied (without limiting any other legal or equitable rights of the Company) to satisfy any debts, obligations or liabilities for damages that the Transferor or Transferee may have to the Company.

8.6 In the case of a Transfer or attempted Transfer of a Person’s interests in the Company that is not a Permitted Transfer, the parties engaging or attempting to engage in such Transfer shall be liable to indemnify and hold harmless the Company and the other Members from all costs, liability, and damage that any of such indemnified Persons may incur (including, without limitation, incremental tax liability and attorneys’ fees and expenses) as a result of such Transfer or attempted Transfer and efforts to enforce the indemnity granted hereby.

8.7 Rights and Obligations Arising Out of Transfers.

(a) A Transfer of a Person’s interest in the Company to a Person who is not a Member does not itself dissolve the Company or entitle the Transferee to become a Member or exercise any voting rights. A Person who is not a Member who acquires a Person’s interests in the Company but who is not admitted as a Substitute Member pursuant to this Agreement (i) will be entitled only to the Economic Rights with respect to such interests, (ii) will not have any rights

to any information or accounting of the affairs of the Company, and (iii) will not be entitled to inspect the books or records of the Company.

(b) A Member's Transfer of an interest in the Company to a Person who is not a Member will not cause the Member to cease to be a Member in connection with the Transferred interest or cease to have the power to exercise the voting rights associated with the Transferred interest unless and until the Transferee or the Transferee's successor or assignee becomes a Substitute Member. A Transferee has no liability as a Member solely as a result of a Transfer. A Person who Transfers an interest in the Company is not released from any liability to the Company solely as a result of the Transfer of such Economic Rights. Upon the complete Transfer of a Membership Interest (as opposed to a Transfer of Economic Rights only), the Transferring Member will cease to be a Member of the Company. No Transferring Member will be released from any pre-Transfer liability to the Company by virtue of a Transfer or admission of a Transferee as a Substitute Member.

(c) A Transfer of an interest in the Company by a Member ("Transferring Member") to any other Member ("Acquiring Member") will cause the Acquiring Member's Membership Interest to increase to the extent of such assigned interest (including both Economic Rights and voting rights) and the Transferring Member's Membership Interest to decrease to the extent of such Transferred interest. If a Member acquires an interest in the Company from a Transferee, the Member will acquire both the Economic Rights with respect to such interest and the voting rights with respect to such interest, and the voting rights of the Member from whom the Transferee's interest was obtained will decrease accordingly.

(d) In the event a court of competent jurisdiction charges a Membership Interest with the payment of an unsatisfied amount of a judgment with interest, to the extent so charged the judgment creditor will be treated as a Transferee.

8.8 Acceptance of Transferee as Substitute Member. Subject to the other provisions of this Article, a Transferee may be admitted to the Company as a Substitute Member with all of the voting rights of a Member, to the extent Transferred, only upon satisfaction of all of the conditions set forth below:

(a) A Transferee of all of the rights of membership (including voting rights) as to a portion, but not all, of a Membership Interest will be admitted as a Substitute Member as to such Transferred portion either upon the consent of the Manager, which may be granted or withheld in the Manager's sole discretion.

(b) The Transferee shall become a party to this Agreement as a Member by executing such documents and instruments as the Manager or the Company's legal counsel may reasonably deem necessary or appropriate to confirm (i) such Transferee as a Member in the Company; (ii) such Transferee's agreement to be bound by this Agreement; and (iii) such Transferee's authority and capacity to become a Member and to be bound by this Agreement.

(c) The Transferee shall pay or reimburse the Company for all reasonable legal, filing, and publication costs that the Company incurs in connection with the admission of the Transferee as a Member with respect to the Transferred interests.

(d) The Transferee will provide the Company with evidence satisfactory to counsel for the Company that such Transferee has made each of the representations and undertaken each of the warranties contained in the documents and instruments referred to in Section 9.6(b).

8.9 A Transferee who becomes a Substitute Member has, to the extent of the Transferred interests, the rights and powers and is subject to the restrictions and liabilities of a Member under the Act, the Articles, and this Agreement, and, to the extent of the Transferred interests, is also liable for any obligations of the Transferor to make Contributions, but is not obligated for liabilities reasonably unknown to the Transferee at the time the Transferee becomes a Member.

8.10 Distributions and Allocations Regarding Transfers. If any Person's interest in the Company is Transferred during any Fiscal Year in compliance with this Article, Profits, Losses, each item thereof, and all other items attributable to such interests for such Fiscal Year will be divided and allocated between the Transferor and the Transferee by taking into account their varying interests during such Fiscal Year in accordance with Code § 706(d), using any conventions permitted by law and selected by the Manager. All distributions on or before the date of such Transfer will be made to the Transferor, and all distributions thereafter will be made to the Transferee. Solely for purposes of making such allocations and distributions, the Company shall recognize such Transfer not later than the end of the calendar month during which it is given notice of such Transfer, *provided that*, if the Company is given notice of a Transfer at least ten (10) Business Days prior to the Transfer the Company shall recognize such Transfer as the date of such Transfer, and *provided further that*, if the Company does not receive a notice stating the date such interest was Transferred and such other information as the Manager may reasonably require within thirty (30) days after the end of the Fiscal Year during which the Transfer occurs, then all such items will be allocated, and all distributions will be made, to the Person who, according to the books and records of the Company, was the owner of the interest on the last day of the Fiscal Year during which the Transfer occurs. The Company will not incur any liability for making allocations and distributions in accordance with this Section 8.10, whether or not the Company has knowledge of any Transfer of ownership of any interest.

8.11 Transfer Fee. For each Transfer, the Company shall receive a minimum transfer fee of One Thousand and No/100 Dollars (\$1,000.00) and shall be reimbursed for any legal, accounting and administrative fees the Company incurs as a result of such Transfer.

ARTICLE 9. **WITHDRAWAL**

9.1 No Member may withdraw from the Company except following the Transfer of its Membership Interest and the admission of such Transferee as a Substituted Member pursuant to the terms of this Agreement. Each of the Members does hereby agree that it shall not, except as provided in this Article, voluntarily withdraw as a Member of the Company, dissolve, liquidate, or terminate, nor shall any Member exercise any power under any law seeking to dissolve the Company or cause a partition of Company property, by court action or otherwise, it being agreed by all of the Members that such action would cause a substantial hardship to the Company and the remaining Members, and would be a breach of this Agreement.

ARTICLE 10. **DISSOLUTION AND WINDING UP**

10.1 Covenant Not to Cause Dissolution. Except as otherwise permitted by this Agreement, each Member hereby covenants and agrees not to take any voluntary action that would cause the Company to dissolve. Any provision of the Act notwithstanding, the Company will not dissolve prior to the decision of the Manager.

10.2 No Dissolution: Bankruptcy/Receiver. The Company will not terminate solely as a consequence of the death, bankruptcy, insolvency, appointment of a receiver, liquidator, assignee, trustee or sequestrator (or other similar official) of a Member of the Company or a substantial part of such Member's property, or an assignment for the benefit of a Member's creditors, or an admission in writing by a Member of the inability to pay its debts generally as they become due, or any similar action by or in respect of one or more of the Members.

10.3 Dissolution. The Company will be dissolved upon the occurrence, if any, of the following events (each, a "Dissolution Event"):

- (a) Upon the decision of the Manager in its sole discretion; or
- (b) Upon entry of a decree of judicial dissolution.

10.4 Winding Up. After a Dissolution Event, the Company will continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members, and no Member shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Company's business and affairs. To the extent not inconsistent with the foregoing, all obligations in this Agreement will continue in full force and effect until such time as the Company Property has been distributed pursuant to this Section. The Manager shall be responsible for overseeing the winding up and dissolution of the Company, shall take full account of the Company's liabilities and Company Property, shall cause the Company Property to be liquidated as promptly as is consistent with obtaining the fair value thereof, and shall cause the proceeds therefrom, to the extent sufficient therefor, to be promptly applied and distributed in the following order:

- (a) First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;
- (b) Second, to the payment and discharge of all of the Company's debts and liabilities to Members and the Manager, if applicable; and
- (c) The balance, if any, pursuant to Section ARTICLE 6.6.4.

10.5 No Deficit Restoration Obligation. If any Member or Transferee has an Adjusted Deficit (after giving effect to all contributions, distributions and allocations of Profit for all Fiscal Years, including the Fiscal Year during which such liquidation occurs), such Person will not have any obligation to make any Contribution with respect to such deficit, and such deficit will not be considered a debt owed to the Company or to any other Person for any purpose whatsoever.

10.6 Distributions in Trust/Reserves. In the discretion of the Manager, a pro rata portion of the distributions that would otherwise be made to the Members pursuant to this Article may be:

- (a) Distributed to a trust established for the benefit of the Members and Transferees for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any liabilities (contingent or otherwise) of the Company. The assets of any such trust not utilized to pay Company liabilities or to establish a reserve pursuant to Section 10.6(b), will be distributed from time-to-time, in the reasonable discretion of the Manager, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed pursuant to Section 10.4; or

(b) Withheld to provide a reasonable reserve for Company liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Company, provided that such withheld amounts will be distributed to the Members and Transferees pursuant to Section 10.4 as soon as practicable.

10.7 Deemed Distribution and Recontribution. Notwithstanding any other provision of this Article 11, if the Company is liquidated within the meaning of Regulations § 1.704-1(b)(2)(ii)(g) but no Dissolution Event has occurred, the Company Property will not be liquidated, the Company's liabilities will not be paid or discharged, and the Company's affairs will not be wound up. Instead, solely for the federal income tax purposes, the Company will be deemed to have contributed the Company Property to a newly formed limited liability company, and the Company will be deemed to have distributed interests in such newly formed limited liability company to the Members.

ARTICLE 11. **TAXES**

11.1 Elections. The Manager may make any tax elections for the Company allowed under the Code or the tax laws of any state or other jurisdiction having taxing jurisdiction over the Company, including but without limitation, elections:

(a) To adjust the basis of Company Property pursuant to Code §§ 754, 734(b), or comparable state or local law, in connection with transfers of interests in the Company and Company distributions;

(b) To extend the statute of limitations for assessment of tax deficiencies against Members and Transferees with respect to adjustments to the Company's federal, state, or local tax returns, to the extent permissible under applicable law; and

(c) To the extent provided in Code §§ 6221 through 6231, to represent the Company, its Members and Transferees before taxing authorities or courts of competent jurisdiction in tax matters affecting the Company, its Members and Transferees, and to file any tax returns and to execute any agreements or other documents relating to or affecting such tax matters, including agreements or other documents that bind the Members and Transferees with respect to such tax matters or otherwise affect the rights of the Company, its Members and Transferees.

11.2 Tax Matters Member. The Manager shall designate itself or one of the Members as the Tax Matters Member of the Company pursuant to Code § 6231(a)(7), and such Person will be the exclusive spokesperson of the Company in the course of an audit or any litigation involving Company tax matters, to the extent so provided under applicable law. The initial Tax Matters Member will be the Manager. The Tax Matters Member shall take such action as may be necessary to cause each Member to become a notice member within the meaning of Section 6223 of the Code and shall keep each Member fully informed of material events in any administrative or judicial proceeding involving Company or Member tax matters. The Tax Matters Member may not take any action contemplated by Code Section 6222 through Section 6233 without the consent of the Manager, which consent cannot be unreasonable withheld.

11.3 Any Person designated as Tax Matters Member shall discharge its duties and exercise its authority in a good faith effort to maximize the advantages accruing to the Company and its Members as a whole, rather than to any particular Member. The Tax Matters Member will not be liable or responsible to the Company, to any current or former Member or Transferee for any acts or failures to act or for loss or liability arising out of acts or failures to act, provided such action or failure to act was undertaken in good faith and within the scope of the Tax Matters Member's authority, except for acts

or omissions of gross negligence or reckless conduct, intentional misconduct, or a knowing violation of the law.

ARTICLE 12.
BOOKS, RECORDS AND ACCOUNTING

12.1 Generally. At the expense of the Company, the Manager shall maintain records and accounts of all operations and expenditures of the Company on the accrual basis of accounting. At a minimum the Manager shall keep at its principal place of business, such books, records and other materials as are reasonably necessary to document and account for the Company's activities, including without limitation, those required to be maintained by the Act.

12.2 Reports. As soon as is practicable after the end of each Fiscal Year, the Company shall prepare or cause to be prepared and shall send to each Person who was a Member or Transferee at any time during the Fiscal Year such reports and information as are reasonably necessary (i) to inform the Members of the results of the Company's operations for the Fiscal Year and (ii) for the preparation by such Person of such Person's federal and state income tax returns as it relates to such Person's Membership Interest in the Company.

12.3 Company Entity. The Company shall hold itself out to the public under the Company's own name and as a separate and distinct Entity and not as a department, division or otherwise of any Member, the Manager or any Affiliate of any of them.

ARTICLE 13.
AMENDMENT

13.1 This Agreement may be amended, restated or modified from time-to-time only by a written instrument adopted by the Majority of the Members and consented to by the Manager, which consent may be withheld by the Manager in its sole discretion. Notwithstanding the provisions of the preceding sentence, if an amendment would create financial or recourse obligations to any or all Members, all potentially liable Members must then consent. No Member or Transferee will be deemed to have any vested rights in this Agreement that cannot be modified through an amendment to this Agreement.

13.2 Amendments to correct mistakes, omissions or inconsistencies, to cure ambiguities, to reflect the surrender of any rights, to reflect the assumption of additional responsibilities by the Manager or to update Exhibit A to this Agreement, may be made by the Manager without obtaining the consent of any Members so long as the amendment does not have a material effect on the rights, obligations or duties of the Members. Any amendment made under this paragraph is effective on the "effective date" determined by the Manager.

ARTICLE 14.
MISCELLANEOUS

14.1 Classification for Federal Income Tax Purposes. It is the intent of the Members that the Company be taxed as a partnership for federal income tax purposes.

(a) Certain Tax Elections. The Company shall not file any election pursuant to Regulations § 301.7701-3(c) to be treated as an entity other than a partnership. The Company shall elect, pursuant to Code §761(a), to be excluded from the provisions of subchapter K of the Code.

(b) Publicly Traded Partnership. To ensure that Membership Interests are not traded on an established securities market within the meaning of Regulations § 1.7704-1(b) or readily tradable on a secondary market or the substantial equivalent thereof within the meaning of Regulations § 1.7704-1(c), notwithstanding anything to the contrary contained herein:

(1) The Company shall not participate in the establishment of any such market or the inclusion of its Membership Interests thereon, and

(2) The Company shall not recognize any Transfer made on any market by:

(A) Redeeming the Transferor Member (in the case of a redemption or repurchase by the Company); or

(B) Admitting the Acquiring Member as a Member or otherwise recognizing any rights of the Acquiring Member, such as a right of the Acquiring Member to receive Company distributions (directly or indirectly) or to acquire an interest in the capital or profits of the Company.

14.2 Governing Law; Jurisdiction; Venue. This Agreement and its interpretation and enforcement are governed by the laws of the State of Washington (without giving effect to the principles of conflict of laws). Furthermore, each Member irrevocably (i) submits to the jurisdiction of any federal court of the State of Washington for the purpose of any suit, action or other proceeding arising out of this Agreement or any of the agreements or transactions contemplated hereby (each, a “Proceeding”), (ii) agrees that all claims in respect of any Proceeding may be heard and determined in any such court, (iii) waives, to the fullest extent permitted by law, any immunity from jurisdiction of any such court or from any legal process therein, (iv) agrees not to commence any Proceeding other than in such courts and (v) waives, to the fullest extent permitted by law, any claim that such Proceeding is brought in an inconvenient forum.

14.3 Construction. Unless specifically indicated to the contrary: (i) wherever from the context it appears appropriate, each term stated in either the singular or the plural will include the plural and the masculine gender will include the feminine and neuter genders; (ii) the term “or” is not exclusive; (iii) the term “including” (or any form thereof) will not be limiting or exclusive; (iv) the words “Agreement,” “herein,” “hereof,” “hereunder,” or other words of similar import refer to this Agreement as a whole, including exhibits and schedules (if any), as the same may be modified, amended or supplanted. The headings in this Agreement have no independent meaning.

14.4 Dispute Resolution. Any dispute, controversy, claim or difference concerning or arising out of this Agreement or the rights or performance of any party under this Agreement (each, a “Dispute”) will be resolved by the procedure set forth in this Section 14.4. The parties to this Agreement agree to attempt to promptly resolve Disputes first by communication with each other. If the parties are unable to so resolve the Dispute within ten (10) days of the first such communication, either party may submit the Dispute to the American Arbitration Association, requesting resolution pursuant to the provisions of this Section and, to the extent they do not directly conflict with the provisions of this Section, through the Commercial Arbitration Rules of the American Arbitration Association. Prior to any arbitration proceeding, the parties shall engage in at least eight (8) hours of mediation before a mutually-acceptable mediator (or, if the parties cannot agree upon a mediator, before a mediator appointed by the American Arbitration Association). If the parties are unable to resolve the Dispute through mediation, the Dispute will be resolved by binding arbitration before a single, mutually-acceptable arbitrator (or, if the parties cannot agree upon an arbitrator, before an arbitrator appointed by the American Arbitration Association). Notwithstanding anything in the Commercial Arbitration Rules of the American Arbitration Association to the contrary: (ii) the arbitration must be conducted by

a single arbitrator; (ii) each party must be afforded a reasonable opportunity for discovery under the procedures for discovery set forth in applicable civil law; and (iii) the arbitrator must award attorneys' fees to the prevailing party. The award in any arbitration will be final and binding upon the parties. A judgment upon an award rendered in arbitration may be entered in any court of competent jurisdiction. The venue for any mediation or arbitration under this Agreement will exclusively be in Spokane, Washington.

14.5 Counterparts. This Agreement may be executed in any number of counterparts, including facsimile counterpart signature pages and counterpart signature pages in "portable document format" (.pdf), all of which taken together shall constitute one and the same instrument, and each of the parties hereto may execute this Agreement by signing any such counterpart.

14.6 Execution of Additional Instruments. Each Member and Transferee hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations, or to implement the provisions hereof.

14.7 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.

14.8 Heirs, Successors, and Assigns. Each and all of the covenants, terms, provisions, and agreements herein contained will 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.

14.9 Notices. Any notice, demand, or communication required or permitted to be given by any provision of this Agreement will be deemed to have been sufficiently given or served for all purposes if (i) delivered personally to the Person or to an executive officer of the Person to whom the same is directed; (ii) sent by registered or certified mail, postage and charges prepaid, addressed to the last known address of such Person; (iii) delivered by facsimile or electronic transmission if verified by written or electronic record of transmission; or (iv) delivered by reputable overnight courier. If notice is sent pursuant to clause (ii) above, such notice will be deemed effective on the third Business Day after the date on which the same was deposited in the mail. If notice is sent by any other means herein specified, the notice is effective when dispatched.

14.10 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Member or the Company will not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the Members or the Company may have by law, statute, ordinance or otherwise.

14.11 Severability. If for any reason any provision of this Agreement is determined by a tribunal of competent jurisdiction to be legally invalid or unenforceable, the validity of the remainder of this Agreement will not be affected and such provision will be deemed modified to the minimum extent necessary to make such provision consistent with applicable law and, in its modified form, such provision will then be enforceable and enforced.

14.12 Waivers in General. The failure of any Person or the Company to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Agreement will not prevent a subsequent act, which would have originally constituted a violation, from having the effect

of an original violation. No waiver will be effective unless in a writing executed by the Person whom has made such waiver.

14.13 Waiver of Jury Trial. THE PARTIES TO THIS AGREEMENT ACKNOWLEDGE AND AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO TRIAL BY JURY OF ANY CONTRACT OR TORT CLAIM, COUNTERCLAIM, CROSS-COMPLAINT, OR CAUSE OF ACTION IN ANY ACTION, PROCEEDING, OR HEARING BROUGHT BY ANY PARTY AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.

14.14 Attorney Fees. In the event arbitration is instituted to enforce or determine a Person's rights in connection with the Company or obligations arising out of this Agreement, the substantially prevailing party will recover reasonable attorney fees incurred in such proceeding from the party or parties who do not substantially prevail. The determination of who is the substantially prevailing party and the amount of reasonable attorney fees to be paid to the substantially prevailing party will be decided by the arbitrators, with respect to attorney fees incurred prior to and during arbitration proceedings, and by any court, with respect to attorney fees incurred in court proceedings (e.g., in respect of submission of an arbitration award for confirmation as a judgment).

14.15 Entire Agreement. This Agreement, the Articles, and any other document to be furnished pursuant to the provisions hereof embody the entire agreement and understanding of the parties hereto as to the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants, or undertakings other than those expressly set forth or referred to in such documents. This Agreement, the Articles, and such documents supersede all prior agreements and understandings among the parties with respect to the subject matter hereof.

[Signature pages follow]

**MANAGER SIGNATURE PAGE
TO
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
ZH&L, LLC**

IN WITNESS WHEREOF, the undersigned Manager of the Company has executed this Agreement.

MANAGER:

(Signature)

(Printed Name)

**MEMBER SIGNATURE PAGE
TO
LIMITED LIABILITY COMPANY OPERATING AGREEMENT
OF
ZH&L, LLC**

IN WITNESS HEREOF, I/we hereby execute the Limited Liability Company Operating Agreement for ZH&L, LLC, a Washington limited liability company (“Operating Agreement”), hereby acknowledge having received and reviewed a full copy thereof, hereby agree to become a Member thereof and to be bound by each and every term and condition of the Operating Agreement. I further acknowledge that if I am executing the space below on behalf of a legal business entity by virtue of meeting the criteria set forth above, I am legally authorized to do so, and I am hereby binding my legal business entity to each of the terms and conditions of the Operating Agreement.

MEMBER (entity):

Name of Entity

a _____

(State of Domesticity and Entity Type)

By: _____

Name: _____

Title: _____

Date: _____

MEMBER (individual):

(Print Name)

(Signature)

Date: _____

MEMBER (individual):

(Print Name)

(Signature)

Date: _____

**EXHIBIT A
MEMBER INFORMATION
AS OF 6 February 2019**

Member	Contribution	Contribution Date	Sharing Ratio
Escalade Properties	Labor, expertise &	6 February 2019	50%
Zxxxxxx & Hxxxxx Wxxxxx	Real Property located at 2714 E Nora Ave, Spokane WA, 99207	6 February 2019	50%

Escalade Properties has made its contribution in the form of cash that will be used for purposes of rehabilitation the Company Property.

Zxxxxx & Hxxxxx Wxxxxx has contributed the Company Property which both the Investor Member and Special Member have agrees as having a value of \$_____.

EXHIBIT B
PROPERTY LEGAL DESCRIPTION

County: Spokane APN: 35094.3319
Map Coord: 12L Census Tract: 002600
Lot#: 20 Block: 35
Subdivision: Southeast Add/Ross Park
Legal: Ross Park Se E56ft L19-20 B35

APPENDIX 1

CERTAIN TAX AND ACCOUNTING MATTERS

A.1 Accounting Definitions. The following terms, which are used predominantly in this Appendix 1, will have the meanings set forth below for all purposes under this Agreement.

“Adjusted Deficit” means, with respect to any Person, the deficit balance, if any, in such Person’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

(a) The Capital Account will be increased by any amounts which such Person is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the next to the last sentences of Regulations §§ 1.704-2(g)(1) and 1.704-2(i)(5); and

(b) The Capital Account will be decreased by the items described in Regulations §§ 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) and 1.704-1(b)(2)(ii)(d)(6).

The foregoing definition of Adjusted Deficit is intended to comply with Regulation § 1.704-1(b)(2)(ii)(d) and must be interpreted consistently therewith.

“Capital Account” means the account maintained with respect to a Person determined in accordance with the provisions of Section A.2 of this Appendix 1.

“Company Minimum Gain” has the same meaning as “partnership minimum gain” as set forth in Regulations §§ 1.704-2(b)(2) and 1.704-2(d).

“Debt” means, with respect to any Person:

(a) any indebtedness of such Person for borrowed money or deferred purchase price of Company Property, whether or not evidenced by a note, bond, or other instrument;

(b) obligations of such Person as lessee under any capital leases treated as a debt for federal income tax purposes;

(c) obligations secured by any mortgage, pledge, security interest, encumbrance, lien or charge of any kind existing on any Company Property owned or held by such Person, whether or not such Person has assumed or become liable for the obligations secured thereby; or

(d) any other liabilities of such Person (contingent or otherwise) as assumed or taken subject to by the Company.

“Depreciation” means, for each Fiscal Year, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year, except that (a) with respect to any asset the Gross Asset Value of which differs from its adjusted tax basis for federal income tax purposes at the beginning of such Fiscal Year and which difference is being eliminated by use of the “remedial method” as defined by § 1.704-3(d) of the Regulations, Depreciation for such Fiscal Year will be the amount of book basis recovered for such Fiscal Year under the rules prescribed by § 1.704-3(d)(2) of the Regulations, and (b) with respect to any other asset the Gross Asset Value of which differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year. Depreciation will be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year bears to such beginning adjusted basis; *provided, however*, that in the

case of clause (b) above, if the adjusted tax basis for federal income tax purposes of an asset at the beginning of such Fiscal Year is zero, Depreciation will be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Manager.

“Gross Asset Value” means the adjusted basis of an item of Company Property for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of the Company Property (if any) contributed by the Members is set forth in Exhibit A and the initial Gross Asset Value of any Company Property subsequently contributed by a Member to the Company will be the gross fair market value of such Company Property, as determined by the Manager.

(b) The Gross Asset Value of items of such Company Property will be adjusted to equal the gross fair market value of such Company Property, as determined by the Manager, as of the following times:

(1) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a *de minimis* Contribution;

(2) the distribution by the Company to a Person of more than a *de minimis* amount of Company Property as consideration for an interest in the Company;

(3) the grant of an interest in the Company (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Company by an existing Member acting in a Member capacity, or by a non-Member acting in a Member capacity or in anticipation of becoming a Member; and

(4) the liquidation of the Company within the meaning of Regulation § 1.704-1(b)(2)(ii)(g);

(c) The Gross Asset Values of such Company Property will be increased or decreased to reflect any adjustments to the adjusted basis of such Company Property pursuant to Code § 734(b) or Code § 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulation § 1.704-1(b)(2)(iv)(m), Section A.2 of this Appendix 1, and paragraph (f) of the definition of “Profits” and “Losses”; *provided, however*, that Gross Asset Values will not be adjusted pursuant to this paragraph (c) to the extent the Manager determines that an adjustment pursuant to the preceding paragraph (b) is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to Regulation § 1.704-1(b)(2)(iv)(m), and *provided further*, that in all events the Gross Asset Value of cash and any cash equivalent will be the dollar amount thereof.

(d) The Gross Asset Value of any Company Property distributed in kind by the Company to any Member or Transferee will be adjusted to its fair market value determined as if the Company had sold the Company Property distributed at its fair market value immediately prior to its distribution.

If the Gross Asset Value of an item of Company Property has been determined or adjusted pursuant to the preceding paragraphs (a) or (b), such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such item of Company Property for purposes of computing Profits and Losses in accordance with Regulation § 1.704-1(b)(2)(iv)(g).

“Issuance Items” means any income, gain, loss or deduction realized as a direct result of the issuance of an interest by the Company to a Person.

“Member Nonrecourse Debt” has the same meaning as “partner nonrecourse debt,” as set forth in Section 1.704-2(b)(4) of the Regulations.

“Member Nonrecourse Debt Minimum Gain” means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if that Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulation § 1.704-2(i)(3).

“Member Nonrecourse Deductions” has the same meaning as “partner nonrecourse deductions,” as set forth in Regulations §§ 1.704-2(i)(1) and 1.704-2(i)(2).

“Nonrecourse Liability” is defined in Regulation § 1.704-2(b)(3).

“Profits” and “Losses” mean, for each Fiscal Year, an amount equal to the Company’s taxable income or loss for such Fiscal Year, determined in accordance with Code § 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code § 703(a)(1) will be included in taxable income or loss), 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 pursuant to this Section will be added to such taxable income or loss;

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

(c) In the event the Gross Asset Value of any Company Property is adjusted pursuant to this Agreement, the amount of such adjustment will be taken into account as gain or loss from the disposition of such Company Property for purposes of computing Profits or Losses;

(d) 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 Gross Asset Value of the Company Property disposed of, notwithstanding that the adjusted tax basis of such Company Property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, Depreciation for the relevant Fiscal Year will be taken into account, computed as provided in this Agreement;

(f) To the extent an adjustment to the adjusted tax basis of any Company Property pursuant to Code § 734(b) or Code § 743(b) is required pursuant to Regulation § 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in complete liquidation of a Person’s Economic Rights, the amount of such adjustment will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the Company Property and will be taken into account for purposes of computing Profits or Losses; and

(g) Notwithstanding any other provision of this Agreement, any items that are specially allocated pursuant to Sections A.3, A.4, A.5, or A.6 of this Appendix 1 will not be taken into account in computing Profits or Losses.

The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Sections A.3, A.4, A.5, or A.6 of this Appendix 1 will be determined by applying rules analogous to those set forth in the preceding paragraphs (a) through (f).

“Unrecovered Capital Account” means, at any given time, the Contribution of such Person decreased by (i) Net Capital Transaction Proceeds distributed pursuant to Section ARTICLE 6.6.4, and (ii) the Gross Asset Value of any Company Property (other than cash) distributed to such Person without charge or reduction for any Profit or Loss allocated to such Person.

A.2 Maintenance of Capital Accounts. The Company will establish and maintain Capital Accounts with respect to each Member, each Transferee and the Manager. The initial Capital Accounts of the Members will be the Contribution amounts of the Members as set forth in Exhibit A. Thereafter, Capital Accounts will be maintained in accordance with the following:

(a) Increases. Each Person’s Capital Account will be increased by any additional capital contributed by such Person, such Person’s distributive share of Profits and any items in the nature of income or gain that are specially allocated pursuant to this Agreement, and the amount of any Company liabilities assumed by such Person or that are secured by any Company Property distributed to such Person.

(b) Decreases. Each Person’s Capital Account will be decreased by the amount of cash and the Gross Asset Value of any Company Property (other than cash) distributed to such Person pursuant to any provision of this Agreement, such Person’s distributive share of Losses and any items in the nature of expenses or losses that are specially allocated pursuant to this Agreement, and the amount of any Debt of such Person assumed by the Company or that is secured by any Company Property contributed by such Person to the Company.

(c) Revaluation of Company Property. Upon any revaluation of Company Property, gain or loss will be allocated to the Capital Accounts of the Members and Transferees in the same manner as if the Company property had been sold.

(d) Distribution of Assets. If the Company at any time distributes any of its Company Property in-kind to any Person, the Capital Accounts will be adjusted to account for that Person’s allocable share of the Profits or Losses, as determined pursuant to this Agreement, that would have been realized by the Company had it sold the Company Property that was distributed at its fair market value immediately prior to its distribution.

(e) Sale or Exchange of Interest. In the event of a Transfer of all or a portion of a Person’s Economic Rights in accordance with the terms of this Agreement, the Transferee will succeed to the Capital Account of the Person to the extent it relates to the Transfer of such Person’s Economic Rights.

(f) Compliance with Code § 704(b). The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to be consistent with Regulation § 1.704-1(b), and will be interpreted and applied in a manner consistent with such Regulations. In the event the Manager determines that it is prudent to modify the manner in which the Capital Accounts, or any adjustments thereto (including, without limitation, adjustments relating to Debt which is secured by Contributions or distributed Company Property or which is assumed by the Company or Members), are computed in order to comply with such Regulations, the Manager may make such modification, provided that it is not likely to have a material effect on the amounts distributed to any Person pursuant to ARTICLE 10 upon the dissolution of the Company. Notwithstanding anything herein to the

contrary, this Agreement will not be construed as creating a deficit restoration obligation or otherwise personally obligate any Person to make a Contribution.

A.3 Special Allocations. The following special allocations will be made in the following order:

(a) Minimum Gain Chargeback. Except as otherwise provided in Regulation § 1.704-2(f), if there is a net decrease in Company Minimum Gain during any Fiscal Year, each Person with a Capital Account will be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Person's share of the net decrease in Company Minimum Gain, determined in accordance with Regulation § 1.704-2(g). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Person pursuant thereto. The items to be so allocated will be determined in accordance with Regulations §§ 1.704-2(f)(6) and 1.704-2(j)(2). This Section is intended to comply with the minimum gain chargeback requirement in Regulation § 1.704-2(f) and will be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. Except as otherwise provided in Regulation § 1.704-2(i)(4), if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Fiscal Year, each Person who has a share of the Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulation § 1.704-2(i)(5), will be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Person's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulation § 1.704-2(i)(4). Allocations pursuant to the previous sentence will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Regulations §§ 1.704-2(i)(4) and 1.704-2(j)(2). This Section is intended to comply with the minimum gain chargeback requirement in Regulation § 1.704-2(i)(4) and will be interpreted consistently therewith.

(c) Qualified Income Offset. If any Person unexpectedly receives any adjustments, allocations or distributions described in Regulation § 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5) or 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain will be specially allocated to each such Person in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Deficit of such Person as quickly as possible, provided that an allocation pursuant to this Section will be made only if and to the extent that such Person would have an Adjusted Deficit after all other allocations provided for in Section A.3 of this Appendix 1 have been tentatively made as if this subsection (c) were not in the Agreement.

(d) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Fiscal Year will be specially allocated to the Person who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulation § 1.704-2(i)(1).

(e) Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company Property pursuant to Code § 734(b) or Code § 743(b) is required, pursuant to Regulation § 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Person in complete liquidation of such Person's interest in the Company, the amount of such adjustment to Capital Accounts will be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss will be specially allocated to Persons with Capital Accounts in accordance with their interests in the Company in the event that Regulation

§ 1.704-1(b)(2)(iv)(m)(2) applies, or to the Person to whom such distribution was made in the event that Regulation § 1.704-1(b)(2)(iv)(m)(4) applies.

(f) Allocations Relating to Taxable Issuance of Company Interests. Any Issuance Items will be allocated among the Persons with Capital Accounts so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to such Person, will be equal to the net amount that would have been allocated to each such Person if the Issuance Items had not been realized.

A.4 Curative Allocations. The allocation provisions of this Agreement are intended to produce final Capital Account balances that are equal to the liquidating distributions Members would receive pursuant to Section ARTICLE 6.6.8 and Section 10.4. Therefore, notwithstanding any provision of this Agreement to the contrary, all items of income, gain, loss or deduction recognized during a taxable year in which an event occurs directly resulting in the liquidation and termination of the Company (whether or not liquidation occurs in the same taxable year as such event), and all items of income, gain, loss or deduction for prior open years or recognized during each succeeding taxable year thereafter, will be allocated among the Persons with Capital Accounts in a manner that, to the maximum extent possible, will (i) first, eliminate any deficit Capital Account balances (allocated among the Persons with Capital Accounts in proportion to their deficit Capital Account balances) and (ii) second, adjust their Capital Account balances so that to the maximum extent possible, liquidating distributions following payment of all debts will be made in the manner and priority indicated in Section 10.4. This Section will control notwithstanding any reallocation or adjustment of taxable income, taxable loss, or items thereof by the Internal Revenue Service or any other taxing authority. Nothing in this Section, however, will prevent a Person or the Company from correcting a mistake which leads to a Person receiving a distribution in excess of the amount to which such Person was entitled.

A.5 Other Allocation Rules.

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items will be determined on a daily, monthly, or other basis, as determined by the Manager using any permissible method under Code § 706 and the Regulations thereunder.

(b) All allocations to the Members, Transferees, and Manager will, except as otherwise provided, be divided among them in proportion to the Sharing Ratios of each.

(c) The Members and Transferees are aware of the income tax consequences of the allocations made by this Appendix 1 and hereby agree to be bound by this Article in reporting their shares of Company income and loss for income tax purposes.

(e) Solely for purposes of determining a Member's, Transferee's or Manager's proportionate share of the "excess nonrecourse liabilities" of the Company within the meaning of Regulation § 1.752-3(a)(3), the Members', Transferees', and Manager' interests in Company Profits will be in the same proportion as their Sharing Ratios.

(f) To the extent permitted by Regulation § 1.704-2(h)(3), the Company and any Member or Transferee shall endeavor to treat distributions as having been made from the proceeds of a Nonrecourse Liability or a Member Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Deficit for any Member or Transferee.

A.6 Tax Allocations: Code § 704(c). Except as provided in this Section A.6, each item of income, gain, loss, deduction or credit for federal income tax purposes that corresponds to an item of income, gain, loss or expense that is either taken into account in computing Profits or Losses or is

pecially allocated pursuant to Section A.3 or Section A.4 (a “Book Item”) will be allocated among Persons in the same proportion as the corresponding Book Item is allocated among them pursuant to Section A.3 or Section A.4. In accordance with Code § 704(c) and the Regulations thereunder, income, gain, loss, and deduction with respect to any Company Property contributed to the capital of the Company will, solely for tax purposes, be allocated among the Members or Transferees so as to take account of any variation between the adjusted basis of such Company Property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with this Agreement).

In the event the Gross Asset Value of any Company Property is adjusted pursuant to this Agreement, subsequent allocations of income, gain, loss, and deduction with respect to such Company Property will take account of any variation between the adjusted basis of such Company Property for federal income tax purposes and its Gross Asset Value in the same manner as under Code § 704(c) and the Regulations thereunder.

Any elections or other decisions relating to such allocations will be made by the Manager in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section are solely for purposes of federal, state, and local taxes and will not affect, or in any way be taken into account in computing, any Person’s Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

A.7 Limitation on Losses. The Losses allocated to a Person will not exceed the maximum amount of Losses that can be so allocated without causing any Person to have an Adjusted Deficit at the end of any Fiscal Year. In the event some but not all of the Persons with Capital Accounts would have Adjusted Deficits as a consequence of an allocation of Losses pursuant to this Section, the limitation set forth in this paragraph will be applied on a Person by Person basis so as to allocate the maximum permissible Losses to each Person under Regulation § 1.704-1(b)(2)(ii)(d).