OPERATING AGREEMENT FOR K-Zero between
**CT Gaming LLC**, a Michigan Limited Liability Company and
**Kanar Gaming Enterprises, Inc.,** a Michigan Corporation

A JOINT VENTURE

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K-ZERO
A Joint Venture between
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This Operating Agreement is made on **July 8, 2018**, between CT Gaming LLC, a Michigan **Limited Liability Company** (CTG) whose address is **234 Princess Dr, Canton, MI 48188**, and Kanar Gaming Enterprises, Inc, a Michigan Corporation (KGE) whose address is **10418 Plank Rd, Milan, MI 48160**, who, agree as follows:

## ARTICLE 1 ORGANIZATION

**1.1 Formation.** The K-Zero Partnership has been organized as a Michigan Partnership.

**1.2 Name.** The name of the Company is **K-Zero.** The Company may also conduct its business under one or more assumed names.

**1.3 Purposes.** The Partners desire to combine their resources, skills, and efforts for the purposes of

**1.3.1** developing new designs, systems, processes, and technologies for the **Live Action Roleplaying Entertainment**;

**1.3.2** producing LARP events based on those new designs, systems, processes, and technologies (Products); and

**1.3.3** marketing and hosting the Products for use in the United States, and for no other purpose, unless the Partners unanimously agree.

**1.4 Registered Office and Resident Agent.** The Registered Office and Resident Agent of the Company will be as designated in the initial or amended Articles. The Registered Office and Resident Agent may be changed from time to time. Any change will be made in accordance with the Act. If the Resident Agent resigns, the Company will promptly appoint a successor.

**1.5 Intention for Company.** The Partners have formed the Company as a partnership for the purposes set forth in this Operating Agreement. The Partners specifically intend and agree that the Company is a partnership

## ARTICLE 2 CAPITAL CONTRIBUTIONS, PARTNERSHIP SHARES, AND CAPITAL ACCOUNTS

**2.1 Partnership Interests.** Each Partner will own a Partnership Interest (as defined in the Act) in the Company represented by the Partners's Shares in the Company issued in accordance with Section 2.3 of this Operating Agreement.

**2.2 Partners' Capital Accounts.**

**2.2.1** Each Partner will maintain their own Capital Accounts. These Capital Accounts will not be intermingled.

**2.2.2** If a Partner's Shares, or any portion of them, are transferred in accordance with this Operating Agreement, the transferee will succeed to the Capital Account of the transferring Partner or to any portion that is transferred.

**2.2.3** All of the provisions above regarding the establishment and maintenance of Capital Accounts are intended to comply with Treas Reg 1.704-1(b)(2)(iv) and will be interpreted and applied to comply with this Treasury Regulation. The Partners further agree to make any adjustments to the Capital Accounts that may be necessary or appropriate to comply with this Treasury Regulation.

**2.2.4** Except as otherwise expressly provided in this Operating Agreement, no Partner is entitled to receive any interest or return on any contributions to the Company or on the Partner's Capital Account, nor does any Partner have any interest, right, or claim in or to any of the Company's assets, business, or property.

**2.3 Initial Capital Contributions.** On or before **August 1, 2018**, CTG will contribute $50 U.S., and KGE will contribute $**50** U.S. to the capital of the Company (Initial Capital Contribution), and each Partner will concurrently receive **50** shares of Partnership Interests in the Company (individually, a "Share," and collectively, "Shares"). If a Partner fails to make an Initial Capital Contribution when required, the capital contribution of the other Partner will be immediately returned to the other Partner and the Company will be automatically dissolved.

**2.4 Additional Contribution by Partners.** No Partner will have any obligation to make any other additional contribution to the capital of the Company unless the Partner agrees in writing, and then the additional contribution will be made on terms and conditions and

for consideration (including receiving additional Shares) the Partners will establish and unanimously agree on.

**2.5 Commitments of Resources by Partners.** The Partners each agree to offer or cause to be offered to the Company, the property, services, employees, and other resources as follows:

| | Date Due | Description |
|---|---|---|
| CTG | 8-1-2018 | K-0 Rulebook, Setting Guide, SOP, and support materials |
| KGE | 8-1-2018 | Use of KGE land and insurance for 36 1-day events |

**2.6 Further Assurances.** If any person entering into any transaction with the Company should require some further assurance concerning any financial obligation of the Company, each of the Partners agrees to guarantee the payments when due by the Company up to the aggregate amount of $**50** U.S. The guarantees should be joint if allowed by the other person, in which case each Partner will guarantee one-half of the payments or joint and several if the other person will require. Any payment made by any Partner on account of the guaranteed obligations will be without prejudice to the right of the Partner to proceed against and seek reimbursement or contribution from the other Partner to the extent permitted by law.

## ARTICLE 3 ADMINISTRATIVE PROVISIONS

**3.1 Books of Account.** At all times during the continuance of the Company, the Company will keep or cause to be kept full and true books of account reflecting each of the Company's transactions. These books of account, together with a list of the name and address of each Partner; a copy of the Articles; copies of the Company's financial statements and federal, state, and local tax returns and reports for the three most recent fiscal years; and copies of records that would enable a Partner to determine the Partner's Shares will be maintained at all times at the Company's Registered Office. These books will be open to reasonable inspection and examination by the Partners or their duly authorized representatives at the Company's Registered Office during reasonable business hours on reasonable notice to the Company. The Company may engage certified public accountants to assist in the preparation of the Company's books and financial statements and to render any other services the Company requests.

**3.2 Reports.** The Company will to furnish to each Partner within 60 days after the end of each fiscal year, or as soon as practical thereafter, an annual report of the Company's business and operations during the year, together with information that may be necessary for the preparation of each Partner's federal and state income or other tax returns. The annual report will contain a copy of the Company's annual financial statement showing

the Company's gross receipts, expenses, and profit or loss, and the allocations thereof to each Partner for the year.

**3.3 Fiscal Year and Accounting Method.** The fiscal year of the Company will be the calendar year. The Company's books and records will be kept on the accrual method.

**3.4 Bank Accounts.** One or more Company bank accounts may be established for the Company, and checks may be issued on such accounts and will be signed as designated by the Board of Directors or Partners.

**3.5 Tax Matters Partner; Partner Tax Returns.**

**3.5.1** As used in this Operating Agreement, the term "Tax Matters Partner" has the same meaning as the term "tax matters partner" set forth in IRC 6231(a)(7). **Craig Jarvis** is designated the Company's Tax Matters Partner.

**3.5.2** Each Partner will reflect on its income tax return all items of income, gain, loss, deduction, or credit relating to the Company, its assets, business, and property in a manner that is consistent with the treatment of such items on the Company's income tax returns.

## ARTICLE 4 TAX ALLOCATIONS

**4.1 Allocation of Profits and Losses.** Allocation of Profits and Losses. After the application of Sections 4.2, 4.3, and 4.4, any of the Company's income, gain, loss, deduction, or credit (Profits and Losses) will be allocated among the Partners first, so that their Capital Account balances are, as nearly as possible, in the same ratios as their respective Shares, and then pro rata, in accordance with the Shares held by each Partner.

**4.2 Regulatory Allocations.** The following regulatory allocations apply:

**4.2.1 Minimum-Gain Chargeback.** To the extent and in the manner required by Treas Reg 1.704-2(f), if there is a net decrease in Company Minimum Gain for any fiscal year, each Partner will be allocated items of Company income or gain for the fiscal year (and, if necessary, succeeding fiscal years) equal to the Partner's share of the net decrease in Company Minimum Gain determined under Treas Reg 1.704-2(g). This Section 4.2.1 will be interpreted and applied in a manner consistent with the minimum-gain chargeback requirements of Treas Reg 1.704-2(f).

**4.2.2 Partner Minimum-Gain Chargeback.** To the extent and in the manner required by Treas Reg 1.704-2(i)(4), if there is a net decrease in Partner Minimum Gain, each Partner with a share of Partner Minimum Gain will be allocated items of Company income and gain for the fiscal year (and, if necessary, succeeding fiscal

years) in an amount equal to the Partner's share of the net decrease in Partner Minimum Gain. The items to be allocated will be determined in accordance with Treas Reg 1.704-2(f)(6). This Section 4.2.2 will be interpreted and applied in a manner consistent with the minimum-gain chargeback requirements of Treas Reg 1.704-2(i)(4).

**4.2.3 Qualified Income Offset.** Any Partner who unexpectedly receives any adjustment, allocation, or distribution described in Treas Reg 1.704-1(b)(2)(ii)(d)(4), (5), or (6) will be allocated items of Company income and gain (consistent of a pro-rata portion of each item of income, including gross income and gain for the fiscal year) in an amount and manner sufficient to eliminate, as quickly as possible, any deficit in the Partner's Capital Account.

**4.2.4 Company Nonrecourse Deductions.** Any Company Nonrecourse Deductions will be allocated among the Partners in accordance with Treas Reg 1.704-2(e).

**4.2.5 Partner Nonrecourse Deductions.** Partner Nonrecourse Deductions will be allocated to the Partners who bear the economic risk of loss with respect to the Partner Nonrecourse Debt to which Partner Nonrecourse Deductions are attributable. This Section 4.2.5 will be interpreted and applied in a manner consistent with Treas Reg 1.704-2(i)(1).

**4.3 Allocations Regarding Contributed Property.** Items of income, gain, loss, and deduction with respect to any property contributed to the Company by any Partner will be allocated among the Partners so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its value for Capital Account purposes, in accordance with IRC 704(c) and the Treasury Regulations promulgated under it. If the value of the property is later adjusted, subsequent allocations of income, gain, loss, and deduction with respect to the property will be made in accordance with any method permitted by IRC 704(c) and the Treasury Regulations promulgated under it.

**4.4 Definitions.** For purposes of this Operating Agreement, the following definitions will apply:

**4.4.1** "Company Nonrecourse Deductions" has the same meaning as that term in Treas Reg 1.704-2(b)(1).

**4.4.2** "Partner Nonrecourse Deductions" has the same meaning as that term in Treas Reg 1.704-2(i)(2).

**4.4.3** "Partner Nonrecourse Debt" has the same meaning as that term in Treas Reg 1.704-2(b)(4).

**4.4.4** “Partner Minimum Gain” means an amount, with respect to any Partner Nonrecourse Debt, as determined in accordance with Treas Reg 1.704-2(i)(3).

**4.4.5** “Company Minimum Gain” has the same meaning as that term in Treas Reg 1.704-2(b)(2), (d).

**4.5 Interpretation.** The Partners intend that the allocations of the Company’s Profits and Losses will be applied in a manner consistent with IRC 704 and the Treasury Regulations promulgated under it. The provisions of this Article 4 will be interpreted in a manner consistent with IRC 704 and the Treasury Regulations promulgated under it.

## ARTICLE 5 DISTRIBUTIONS

**5.1 Nonliquidating Distributions.** The Partners may, in their discretion, make distributions to the Partners from time to time. Such action will be authorized by the affirmative vote or consent of all of the Partners. Distributions may be made only after the Partners determine that the Company has cash on hand exceeding the Company’s current and anticipated needs (including operating expenses, debt service, capital expenditures, and establishment of reserves) that will not be retained to pursue any existing, potential, or future business or investment opportunities. All distributions will be made to the Partners in accordance with their proportionate ownership of the Shares. Distributions will be in cash or property, or both, as the Partners may determine. No distribution will be declared or made if, after giving it effect, the Company would not be able to pay its debts as they become due in the usual course of business or if the Company’s total assets would be less than the sum of its total liabilities. Subject to the foregoing limitations and qualifications, the Partners will endeavor to make distributions to the Partners at the times and in the amounts sufficient to allow the Partners to pay their share of income tax due on the operations of the Company.

**5.2 Liquidating Distributions.** If the Company is dissolved or is liquidated within the meaning of Treas Reg 1.704-1(b)(2)(ii)(g), in compliance with Treas Reg 1.704-1(b)(2)(ii)(b)(2), all liquidating distributions will be made to the Partners who have positive Capital Accounts, in accordance with such positive Capital Account balances, but only after such Capital Accounts have been adjusted for all prior contributions and distributions and all allocations under Article 4 for all periods.

## ARTICLE 6 MANAGEMENT

**6.1 Management of Company.** The business and affairs of the Company will be managed by and under the authority of a Board of Directors of six individuals, the General Manager, and such other managers as the Board may determine.

The Board of Directors will be elected by the Partners. CTG will have the exclusive right to elect, remove, and replace three Partners of the Board of Directors, and KGE will have the exclusive right to elect, remove, and replace the other three Partners of the Board of Directors.

The Board of Directors will appoint a General Manager and such other officers and managers as the Board may determine. The term, powers, and duties of the General Manager and other managers will be determined by the Board of Directors. The General Manager will not be eligible to serve as a Director. The General Manager will preside over all meetings of the Board of Directors unless the Directors choose from among them a Director who will also serve as chairperson of the meeting.

**6.2 Board of Directors.** In addition to the powers and authorities expressly conferred on it by this Operating Agreement, the Board of Directors may exercise all of the powers of the Company and do and perform all acts and things that the Act, the Articles, or this Operating Agreement do not direct or require to be exercised by or done by the Partners. The presence of at least two Directors elected by CTG and at least two Directors elected by KGE at a meeting will constitute a quorum for transacting business at the meeting. Regular meetings of the Board of Directors will be held at dates, times, and places determined by the Board of Directors. Special meetings of the Board of Directors may be called by the General Manager or any two Directors and may be held at anytime within the State of Michigan or at other places determined by the Board of Directors. Written notice of the date, time, place, and purposes of any regular or special meeting of the Board of Directors will be given to each Director at least two days before the meeting. The attendance of any Director at any regular or special meeting will be deemed to be a waiver by him or her of notice of the meeting. Notice may also be waived in writing by any Director either before or after the meeting, which waiver will be filed with or entered in the records of the meeting. Whether or not a quorum is present, a majority of the Directors present at a regular or special meeting may adjourn the meeting from time to time. Written notice of the date, time, and place to which any regular or special meeting is adjourned will be given to each Director at least two days before the adjourned meeting is held.

At each regular or special meeting of the Board of Directors at which a quorum is present, any and all approvals, consents, decisions, votes and determinations, and actions will be decided by a majority vote of those Directors present at the meeting except as otherwise provided by the Act or the Articles. Any action required or permitted to be taken under authorization at any regular or special meeting of the Board of Directors may be taken without a meeting if, before or after the action, all Partners of the Board of Directors consent to the action in writing.

**6.3 General Manager.** The ordinary and usual decisions concerning the business, operations, and affairs of the Company will be made by the General Manager. The

General Manager will be the chief operating officer of the Company and will be responsible for the management of the business, operations, and affairs of the Company. The General Manager will not be a Partner of the Board of Directors. However, the General Manager will attend and participate in all meetings of the Board of Directors. Unless otherwise directed by the Board of Directors, the General Manager will preside over all meetings of the Board of Directors and as chairperson of the meeting.

## ARTICLE 7 PARTNERSHIP

**7.1 Meetings.** An annual meeting of the Partners for the transaction of business that may properly come before the meeting will be held at the place, date, and time the Board of Directors determines. Special meetings of the Partners for any other proper purpose may be called at anytime by the Board of Directors or any Partner. Written notice of the date, time, place, and purposes of any annual or special meeting of the Partners will be sent to each Partner at least 10 days before the meeting. All annual and special meetings of the Partners will be presided over by the General Manager unless the Partners choose another person who will serve as chairperson of the meeting.

**7.2 Voting.** Notwithstanding anything contained in the Act to the contrary, for purposes of voting and acting by written consent on any matter submitted to the Partners, whether or not required by the Act, the Articles, or this Operating Agreement, each Partner will have one vote for each Share owned by that Partner.

**7.2.1** The following matters will require the affirmative vote of all of the Shares:

a. any change in the purposes for which the Company has been formed

b. any merger, share exchange, or other business combination in which the Company is a party

c. any amendment of this Operating Agreement

d. the admission of a new Partner (whether a Transferee or not)

e. the sale, other disposition, or granting of a lien in all or substantially all of the assets of the Company

f. borrowing of any sum of money from any single source for any single purpose in excess of $**[amount]**

g. making any single capital expenditure in excess of $**[amount]**

h. the cessation of business or the dissolution of the Company

i. any other matter required under the Act to be submitted to a vote of the Partners

j. any other matter required under this Operating Agreement to be submitted to a vote of the Partners

**7.2.2** Any and all votes, decisions, and determinations or action by the Partners, whether or not required by or provided for under this Operating Agreement or the Act, will be made on and require the affirmative vote of all of the Shares.

Any vote, decision, determination, or action required or permitted to be taken by the Partners may be taken without a meeting, without prior notice, and without a vote if consents in writing setting forth the actions so taken are signed by the Partners having at least the minimal number of votes that would be necessary to authorize or take the action at a meeting at which all Shares entitled to vote on the action were present and voted. Every written consent or approval will also be of the date of each Partner who signs the consent. Notice of the taking of action without a meeting by less than the unanimous written consent of the Partners entitled to vote will be given to all Partners who did not consent to or approve the action.

**7.3 Dispute Resolution.** If the Partners fail to unanimously agree on any matter requiring the vote or consent of the Partners,

**7.3.1** During a period of 30 days thereafter, the Partners will meet periodically to discuss the reasons for the deadlock and to consider solutions to the deadlock. During this period, the Partners will not proceed to commence any court action or alternative dispute resolution proceeding. During these discussions, the advice, counsel, and recommendations of the General Manager will be considered by the Partners who, however, will not be bound to follow the advice, counsel, and recommendations.

**7.3.2** If the deadlock remains unresolved, the Partners may unanimously agree to submit the matter to arbitration on such terms and conditions as the Partners may agree, which may include a provision that the decision of the arbitrator(s) may be binding on the Partners.

**7.3.3** Finally, if the deadlock is still unresolved, the Company will be immediately dissolved and the Company's business and affairs will be wound up in accordance with Article 11.

**7.4 Restrictions on Activities.** No Partner will engage in any act or cause the Company to engage in any act or otherwise operate in any manner that contravenes this Operating Agreement, nor will any Partner who is not also a manager engage in any act or transaction on behalf of or otherwise bind the Company.

## ARTICLE 8 LIABILITY DISCLAIMER AND INDEMNIFICATION

**8.1 Liability.** No Partner or manager will have any liability whatsoever for any of the debts, liabilities, or obligations of the Company except as expressly provided in the Act.

**8.2 Indemnification**.

**8.2.1** In any threatened, pending, or completed action, suit, proceeding, or in any other civil, criminal, investigative, or administrative action to which any Partner or Manager was or is a party or is threatened to be made a party because the Partner or Manager is or was a Partner or Manager of the Company, the Company will indemnify the person against the losses, expenses, claims, and demands, including attorney fees, judgments, penalties, fines, and amounts paid in settlement the person actually and reasonably incurs in connection with the action, suit, or proceeding. To be entitled to this indemnity, the person must have acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Company or the Partners. However, no indemnity will be given with respect to

a. any claim, issue, or matter for which the person has been adjudged to be liable for fraud, gross negligence, breach of this Operating Agreement, willful or wanton misconduct, the receipt of a financial benefit to which the person is not entitled, the liability of a person for a violation of Section 308 of the Act, any act or omission occurring before the date of this Operating Agreement, or any breach of fiduciary obligation in the performance of any duty or obligation to the Company or the Partners or

b. any knowing violation of law or with respect to any criminal action or proceeding where the person had reasonable cause to believe that the person's conduct was unlawful.

**8.2.2** The termination of any action, suit, or proceeding by judgment, order, conviction, or on a plea of *nolo contendere* or its equivalent does not, by itself, create a presumption that the person did not act in good faith and in a manner which the person believed to be in or not opposed to the best interests of the Company or the Partners, or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that the person's conduct was unlawful.

**8.2.3** The Company may, but will not be required to, indemnify any other manager, employee, or agent of the Company, on terms and conditions that the Board of Directors determine.

## ARTICLE 9 TRANSFERS OF SHARES

**9.1 Restrictions on Transfers.** The Partners agree that they will not voluntarily, involuntarily, or by operation of law sell, transfer, assign, encumber, pledge, convey, or otherwise dispose of part or all of the Shares owned by them, or acquired by them at a later time, except pursuant to the terms of this Operating Agreement. Any encumbrance, pledge, assignment, sale, transfer, or other disposition of any Shares in violation of this Operating Agreement will be void.

**9.2 Sale Pursuant to Bona Fide Offer.** If any Partner desires for any reason to sell part or all of the Partner's Shares pursuant to a bona fide offer to purchase the Shares made by another person, the Partner will immediately provide the Company and the other Partner with written notice of the bona fide offer, along with copies of all agreements and related documents. For 60 days following the receipt of the written notice and documents, the Company will have the exclusive right and option (First Option) to elect to purchase and liquidate the Shares subject to the bona fide offer either on the same terms as contained in the bona fide offer or on the terms provided in Sections 9.4, 9.5, and 9.6. If the Company fails to exercise the First Option, for an additional 30 days, the other Partner of the Company will have the exclusive right and option to purchase the Shares subject to the bona fide offer (Second Option) on the terms contained in the bona fide offer or on the terms provided in Sections 9.4, 9.5, and 9.6. If the other Partner fails to exercise the Second Option, the Partner may sell the Shares subject to the bona fide offer to the purchaser named therein, but only in strict accordance with all of the terms and provisions of the bona fide offer and only on compliance with all of the following additional conditions:

**9.2.1** Before the sale of the Shares, the Partner will provide the Company with an opinion of counsel, in form and substance satisfactory to the Company's counsel, that neither the offering nor the sale of the Shares (a) violates any provision of federal or state securities laws or comparable laws or causes the loss of any exemption from federal or state securities laws that may be available with respect to any of the Shares; (b) violates the Act or other state laws governing the Company; or (c) results in the termination of the Company for federal income tax purposes.

**9.2.2** The Partner and purchaser will comply with Sections 9.7.2, 9.7.3, and 9.7.4.

**9.2.3** If the sale of the Shares subject to the bona fide offer is not consummated within 60 days following the expiration of the Second Option, the Partner must again comply with all the terms and provisions of Section 9.2 (including, without limitation, the First and Second Options) before any sale or disposition of the Shares.

**9.3 Involuntary Transfers.** The Partners' Shares will not be subject to any involuntary transfer whatsoever. If any Partner suffers an involuntary transfer or purported involuntary transfer (including but not limited to the occurrence of an event of any

bankruptcy, dissolution, or any transaction involving sale or disposition of all or substantially all of the assets of any Partner or any sale or disposition of all or substantially all of the capital stock or ownership of any Partner, or any merger, share exchange, or other business combination involving any Partner), the Company will have the exclusive right and option for a period of 60 days after the occurrence of such an event to elect to purchase and liquidate the Shares on the terms provided in Sections 9.4, 9.5, and 9.6. If the Company does not exercise this option, the other Partners will have, for an additional 30 days, on a pro-rata basis, the exclusive right and option to purchase the Partners' Shares on the terms provided in Sections 9.4, 9.5, and 9.6.

**9.4 Purchase Price.** The purchase price of any Shares purchased pursuant to this Article 9 (Purchase Price) will be determined as follows:

The Purchase Price of any Shares purchased pursuant to Section 9.2 (unless the bona fide offer terms are elected by the purchaser) or 9.3 will be the lower of the (i) Book Value or (ii) Fair Market Value of the Shares as of the last day of the month preceding the notice of offer to sell under Section 9.2 or the involuntary transfer or purported involuntary transfer under Section 9.3. The Purchase Price of any Shares purchased pursuant to Section 9.9 will be 50 percent of the amount of the Initial Capital Contribution made by the Defaulting Partner and all of the other Partners of the same class as the Defaulting Partner.

Notwithstanding the foregoing, the Company and Partners may, from time to time, establish a predetermined agreed value to be used as the Purchase Price (in lieu of any Purchase Price determined by the foregoing provisions) on the sale of Shares pursuant to Sections 9.2 and 9.3 (Agreed Value). The Agreed Value will be made, from time to time, in a writing that will be signed and dated by all the Partners and that will be amended or revoked only by written agreement of all the Partners, and, in any event, will automatically expire and terminate if not renewed by the written agreement of all the Partners within one year following the date the Agreed Value was last established or renewed. The Agreed Value, while effective, will substitute for and supersede any Purchase Price determined by the foregoing provisions of this Section 9.4.

For purposes of this Section 9.4, the term "Book Value" will mean the book value of the Shares prepared in accordance with generally accepted accounting principles, consistently applied. For purposes of this Section 9.4, the term "Fair Market Value" will mean that Fair Market Value mutually agreed on by the Partners in writing within 60 days of the date of the Triggering Event as representing the fair market value of the Shares. If the Partners cannot agree on the fair market value of the Shares within 60 days of the date of the Triggering Event, within the following 20 days, the Partners will appoint a mutually agreeable appraiser to determine the fair market value pursuant to this Section, and the value will be the Fair Market Value. The appraiser will submit a written appraisal of the Shares within 30 days after his or her appointment, and this appraisal will be final

and binding. If the Partners cannot agree on a mutually agreeable appraiser within the allotted time period, within 15 days, each Partner will designate one qualified independent appraiser and the appraisers so designated will themselves, within 10 days, designate a third qualified independent appraiser (Independent Appraiser). The Independent Appraiser will submit, within 30 days after his or her appointment, a written appraisal of the Fair Market Value of the Shares and this appraisal will be final and binding. Each Partner will pay the costs and expenses of their respective appraisers and will share equally the costs of the Independent Appraiser.

**9.5 Payment of Purchase Price.** The Purchase Price of any Shares purchased pursuant to this Article will be paid in full by a certified or bank cashier's check at the Closing, or, at the sole election of the purchaser, the Purchase Price may be paid by the delivery to the seller of a certified or bank cashier's check in an amount equal to 20 percent of the Purchase Price and the delivery of a nonnegotiable promissory note of the purchaser (Note) providing for equal monthly payments of principal, together with accrued interest, over the succeeding three-year period beginning on the first anniversary of the Closing. The Note will provide for interest equal to the prime rate of interest as established by **[name of bank]** Bank, Detroit, or its successor or any comparable index on the date of the Note, which rate of interest will be adjusted on each anniversary of the Note to the prime rate as established by such bank or its successor or any comparable index on the anniversary. The Note will also provide that it may be prepaid without penalty, in whole or in part, at any time, and on default in any payment due under the Note for 30 days, the holder of the Note will have the option to declare the entire unpaid balance immediately due and payable. Shares equaling the outstanding amount due and payable under the Note will be pledged and will stand as collateral security for the Note.

**9.6 Closing.** Within 30 days of the determination of the Purchase Price, the seller and purchaser will close the sale and purchase of the Shares. The Closing will take place at the principal office of the Company as follows:

**9.6.1** The date of the Closing will be established by the purchaser, who will provide written notice to the seller at least seven days before the Closing.

**9.6.2** At the Closing the purchaser will pay for the Shares in the manner provided by this Article 9, and the seller will deliver any certificates representing any of the Shares to be sold. The certificates will be endorsed for transfer and free and clear of all liens, encumbrances, and claims whatsoever.

**9.6.3** If the seller protests the Closing, does not attend the Closing, or otherwise does not deliver the appropriate certificates and assignments at the Closing,

a. the Purchase Price will be deposited with the Company and

b. the Company will adjust its transfer books to reflect the Shares being sold, canceled, and/or transferred, as appropriate.

**9.6.4** Each Partner irrevocably appoints the General Manager of the Company as its true and lawful attorney in fact to execute and deliver in its place and stead all certificates, instruments, and documents necessary or incidental to the conveyance and transfer of the Partnership interests sold at the Closing. This power of attorney will continue for so long as this Operating Agreement is in effect.

**9.7 Admission as Partner.** Notwithstanding the voluntary or involuntary sale, transfer, assignment, encumbrance, pledge, conveyance, or other disposition of part or all of any Shares, whether or not in compliance with the provisions of this Article 9, under no circumstances will any actual or purported purchaser, assignee, transferee, successor, creditor, or other party (Transferee) be admitted as a substitute Partner except in accordance with this Section. No Transferee will have any right to vote on or otherwise participate in the affairs of the Company or to receive any information or an accounting of the Company unless and until the Transferee will qualify and be admitted as a Partner in accordance with this Section. A Transferee who is not qualified or admitted as a Partner will be entitled only to the allocations and distributions provided to the Shares in accordance with this Operating Agreement.

A Transferee will be admitted to the Company as a substitute Partner only on satisfaction of all of the following terms and conditions:

**9.7.1** The Partners vote for or consent to the Transferee's admission as a Partner.

**9.7.2** The Transferee will furnish to the Company the Transferee's taxpayer identification number and any and all other information necessary or appropriate for the Company to file all required federal and state tax returns.

**9.7.3** The Transferee will execute and deliver to the Company an agreement, in form and substance satisfactory to the Company, by which the Transferee agrees to be bound by all of the terms and provisions of this Operating Agreement and agrees that the Shares acquired by the Transferee will be subject to all of the transfer restrictions under Article 9.

**9.7.4** The Partner whose shares are the subject of the transfer or the Transferee will reimburse the Company for all reasonable costs and expenses the Company incurs in connection with the transfer of the Shares and in obtaining compliance with the terms and provisions of this Operating Agreement.

**9.8 No Right of Withdrawal.** No Partner will have any right of withdrawal or any right to receive any payment or distribution from the Company on any actual or purported

withdrawal. The Partners agree not to withdraw and waive any right of withdrawal and any right to receive any payment or distribution on withdrawal provided for under the Act.

**9.9 Mandatory Sale on Partner's Failure to Make Additional Capital Contribution.** If any Partner fails to make an Additional Capital Contribution when required by Section 2.4 (previously defined as a "Defaulting Partner"), at the election of the other Partner, the Shares of the Defaulting Partner will be sold to the Company or to the other Partner on the terms provided in Section 9.4, 9.5, and 9.6.

## ARTICLE 10 CONFIDENTIALITY, INTELLECTUAL PROPERTY; EXCLUSIVE TERRITORIES

**10.1 Confidentiality of Confidential Information.** During the term of any association between the Partners or their respective Affiliates and at all times following the termination of this association (including the dissolution of the Company), no Partner or any Affiliate of any Partner who will receive any Owner's Confidential Information (Recipient) will use or disclose, directly or indirectly, or cause or permit any Affiliate of the Recipient to use or disclose, directly or indirectly, the Owner's Confidential Information, except as necessary in connection with the business of the Company, and then only after reasonable and appropriate measures are taken by the Recipient that are satisfactory to the Owner to protect the confidential and proprietary nature of the Confidential Information. All Confidential Information is and will be at all times the sole and exclusive property of the Owner, and, on the request of the Owner, from time to time, and in any case on the termination of this association (including on the dissolution of the Company), the Recipient will immediately return or cause to be returned to the Owner any and all Confidential Information and any and all copies.

**10.2 Ownership of Intellectual Property.** Any and all Intellectual Property of or relating in anyway to the Company is and will remain at all times the sole and exclusive property of the Company, and neither Partner will have any right, title, interest, or claim therein except as may otherwise be provided in this Operating Agreement. If requested by the Company, each Partner will automatically assign to the Company at the time of creation or development of Intellectual Property, without any requirement of any further consideration, any and all of the Partner's right, title, interest, or claim therein, and, furthermore, each Partner will take any and all further actions, including the execution and delivery of any instruments of conveyance, as may be appropriate to give full and proper effect to this assignment. To the extent that any Intellectual Property of the Company incorporates or uses Intellectual Property of a Partner, the Partner grants to the Company for the term of this Operating Agreement, free of charge, the right to use the Partner's Intellectual Property in connection with the development of the Company's Intellectual Property and the commercialization of the Products.

**10.3 Exclusive Territories; Covenant Not to Compete.** As provided in this Section, each Partner will have the exclusive right to market the Products and use any Intellectual Property of the Company within certain territories.

During the term of this Operating Agreement and so long as it is a Partner of the Company, CTG will only have the exclusive right to offer for sale and to sell the Products for use in North America. During the term of this Operating Agreement and so long as it is a Partner of the Company, KGE will have the exclusive right to offer for sale and to sell the Products for use in Europe. During the term of this Operating Agreement and while each of them are Partners of the Company and for a period of one year thereafter, each of the Partners agree that they will not, directly or indirectly, cause or permit any Affiliate to compete with the other Partner in the other Partner's exclusive territory or otherwise, or offer any of the Products or any products identical to, similar to, or competitive with any of the Products within the other Partner's exclusive territory.

**10.4 Enforceability.** If any court of competent jurisdiction determines that any part or all of any provision of this Article 10 is unenforceable or invalid due to the scope of the restraints imposed, the provisions of this Article 10 will be enforceable to the fullest extent and scope permitted by law.

**10.5 Definitions.** For purposes of this Article and Section 12.11, the following terms will have the following meanings:

a. "Affiliate" of a Person means

(1) any agent, consultant, contractor, creditor, director, employee, manager, Partner, officer, owner, partner, or shareholder of the Person;

(2) any association, corporation, limited liability company, partnership, or any other legal entity in which the Person is an agent, consultant, contractor, creditor, director, employee, manager, Partner, officer, owner, partner, or shareholder;

(3) any association, corporation, individual, limited liability company, partnership, or any other Person that owns or controls, is owned or controlled by, or is under common ownership or control with the Person; or

(4) any other person or entity acting by, for, or through the Person.

b. "Confidential Information" of an Owner means any and all the Owner's

(1) Confidential Material,

(2) Intellectual Property, and

(3) information, knowledge, or data relating in any way to the past, present, or future business affairs, conditions, customers, efforts, employees, operations, plans, practices, products, processes, properties, sales, services, suppliers, or work of or relating in any way to the Owner or any Affiliate of the Owner, in whatever form.

"Confidential Information" will not include any information, knowledge, or data already known to the Recipient or that is publicly available at the time of disclosure; is disclosed to the Recipient by a Person who is not in breach of an obligation of confidentiality; becomes publicly available after disclosure to the Recipient through no act of the Recipient; or independently becomes known to the Recipient without the use of any Confidential Information and without breaching any obligation of confidentiality, including any term or condition of this Operating Agreement.

c. "Confidential Material" means any and all books, blueprints, charts, copyrights, correspondence, data, designs, documents, drawings, files, financial statements, forecasts, information, instructions, lists, manuals, memoranda, patents, records, reports, service marks, statements, studies, or technical information of or relating in any way to the Owner or any Affiliate of the Owner or to any Confidential Information of the Owner.

d. "Intellectual Property" means any and all copyrights, discoveries, drawings, formulae, improvements, inventions, know-how, models, patents, research, secrets, service marks, science, sketches, software, technologies, trade secrets, works of authorship or invention, or any other intellectual property of or relating in any way to the Owner or any Affiliate of the Owner or any Confidential Information of the Owner.

e. "Owner" means the Person who holds, owns, or possesses either title, possession, or a right to use the subject material, information, or property.

f. "Person" means an individual, partnership, limited liability company, association, corporation, or any other legal entity and includes but is not limited to each party to this Agreement.

## ARTICLE 11 DISSOLUTION AND WINDING UP

**11.1 Continuity of Life—Continuation of Company After Disassociation.** Notwithstanding the death, withdrawal, expulsion, bankruptcy, or dissolution of a Partner or the occurrence of any other event that terminates the continued Partnership of a Partner in the Company, the Company's business and affairs will continue and will not be

dissolved or terminated pursuant to and in accordance with the Act unless otherwise provided in this Operating Agreement.

**11.2 Dissolution.** The Company will dissolve and its affairs will be wound up on the first to occur of only the following events:

**11.2.1** any time specified in the Articles

**11.2.2** any event specified in the Articles or this Operating Agreement

**11.2.3** any action requiring a unanimous vote of the Partners is not approved by the vote of the Partners as provided in Section 7.3

**11.2.4** the direction of either Partner at anytime **[number]** years(s) after the date of this Operating Agreement for any reason or no reason whatsoever

**11.2.5** the unanimous vote of the Partners

**11.3 Winding Up.** On dissolution the Company will cease carrying on its business and affairs and will begin winding up. The Company will complete the winding up as soon as practicable. On the winding up of the Company, its assets will be distributed first to creditors to the extent permitted by law, in satisfaction of debts, liabilities, and obligations of the Company, and then to Partners and former Partners. Distributions to Partners and former Partners will be made first to satisfy liabilities for distributions and then in accordance with the Shares. To the extent available, and at the election of CTG, the assets consisting of the property initially contributed to the Company by CTG under Section 2.3 of this Operating Agreement will be distributed to CTG together with any and all additions and modifications. The proceeds of the final winding up will be paid to the Partners within 90 days after the date of winding up.

## ARTICLE 12 MISCELLANEOUS PROVISIONS

**12.1 Investment and Securities Matters.** Each of the Partners represent, acknowledge, and agree that (i) the Shares are not and will not be registered under either the Securities Act of 1933 or any applicable state securities law and, therefore, may not be resold or transferred unless they are registered or unless an exemption from registration is available, and (ii) each Partner has acquired the Shares for the Partner's own account and for investment purposes only.

**12.2 Terms.** Nouns and pronouns will be deemed to refer to the masculine, feminine, neuter, singular and plural, as the identity of the person or persons, firm, or corporation may in the context require.

**12.3 Article Headings.** The Article headings contained in this Operating Agreement have been inserted only as a matter of convenience and reference and in no way will be construed to define, limit, or describe the scope or intent of any provision of this Operating Agreement.

**12.4 Counterparts.** This Operating Agreement may be executed in several counterparts, each of which will be deemed an original, but all of which will constitute one and the same agreement.

**12.5 Entire Agreement.** This Operating Agreement constitutes the entire agreement between the parties and contains all of the agreement between the parties with respect to its subject matter. This Operating Agreement supersedes any and all other agreements, either oral or written, between the parties with respect to its subject matter.

**12.6 Severability.** The invalidity or unenforceability of any particular provision of this Operating Agreement will not affect its provisions, and this Operating Agreement will be construed in all respects as if the invalid or unenforceable provisions were omitted.

**12.7 Amendment.** This Operating Agreement may be amended or revoked at any time by a written agreement executed by all of the parties to this Operating Agreement. No change or modification to this Operating Agreement will be valid unless in writing and signed by all of the parties to this Operating Agreement.

**12.8 Notices.** Any notice permitted or required under this Operating Agreement will be conveyed to the party at the address reflected in this Operating Agreement or other address designated by a Partner for that purpose and will be deemed to have been given when deposited in the U.S. mail, postage paid, or when delivered in person, by courier, or by facsimile transmission.

**12.9 Binding Effect.** Subject to the provisions of this Operating Agreement relating to transferability, this Operating Agreement will be binding on and will inure to the benefit of the parties, and their distributees, heirs, successors, and assigns.

**12.10 Governing Law.** This Operating Agreement is being executed and delivered in the State of Michigan and will be governed by, construed, and enforced in accordance with the laws of the State of Michigan.

**12.11 Waiver and Release with Respect to Business Opportunities; Disclaimer of Support Waiver and Release with Respect to Business Opportunities; Disclaimer of Support.** Each of the Partners and some of each of their Affiliates compete with or may compete with the business the Company now engages in or may hereafter engage in. The association formed by and among the Partners and with the Company is not intended to restrict or limit in any manner the right or ability of the Partners and their Affiliates to

freely pursue and operate any and all existing and future businesses, opportunities, and lines of business of any kind that they or their Affiliates may pursue or operate or may hereafter choose to pursue or operate even though it may be or is in conflict or in competition with that of the Company and that of the other Partners or their Affiliates or any opportunity the Company or the other Partners or their Affiliates may have. Further, no Partner and no Affiliate of any Partner will have any duty, obligation, or responsibility of any kind to the Company or to any other Partner or to any other Partner's Affiliate to devote or contribute any prescribed amount of time, personnel, resources, or capital to the Company or to the business of the Company unless expressly set forth in this Operating Agreement or otherwise in writing signed by the Partner or the Partner's Affiliate. The nature of the Company and its business is limited and speculative. No assurances or commitments are, have been, or will be made by any Partner or any Affiliate of any Partner, and no Partner or no Affiliate of any Partner has any expectation of any kind with respect to the Company or of any other Partner or any Affiliate of any Partner or with respect to the success or profitability of the Company and this association among the Partners.

The parties have signed this Operating Agreement effective as of **[date]**.

| | |
|---|---|
| Witnesses | CTG., a Michigan **[type of entity]** |
| /s/_____<br>**[Typed name of witness]** | By: /s/_____<br>**[Typed name of authorized signer]**<br>Its: **[Title of authorized signer]** |
| | KGE., a Michigan **[type of entity]** |
| /s/_____<br>**[Typed name of witness]** | By: /s/_____<br>**[Typed name of authorized signer]**<br>Its: **[Title of authorized signer]** |