

JSBAR, LLC
Name: The Hills Grille

Business Plan

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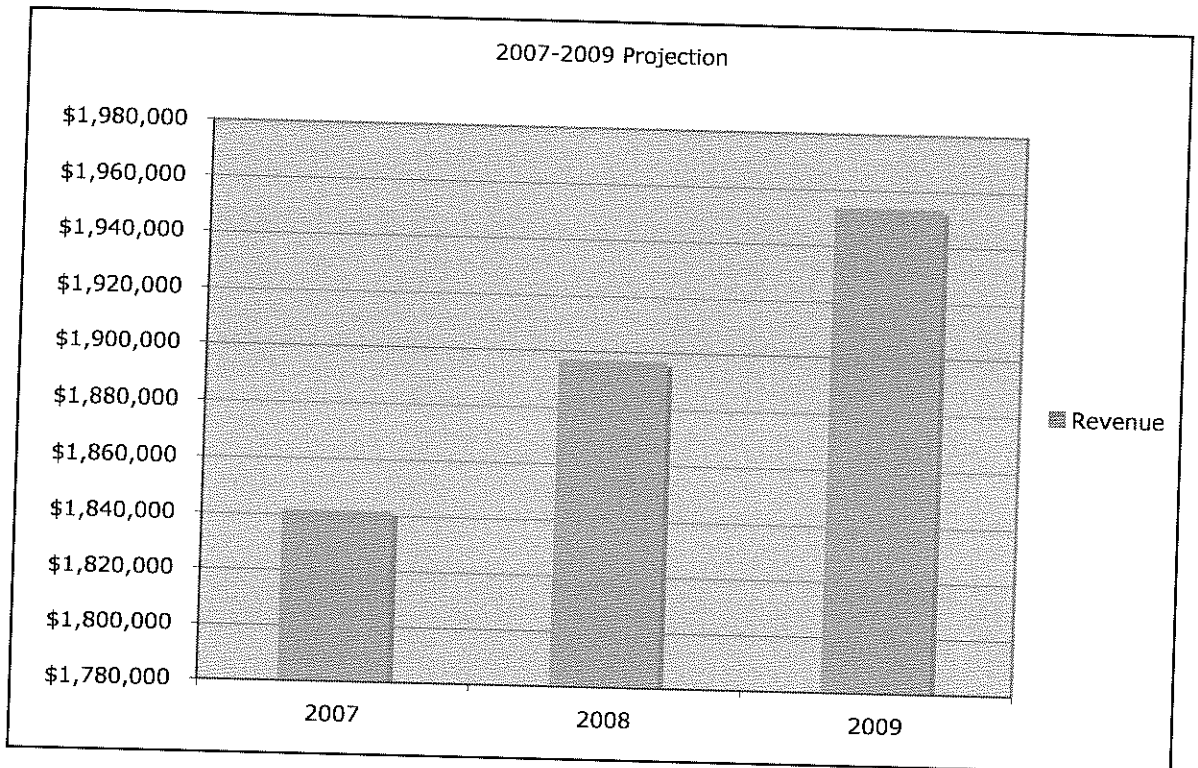
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1.0 Executive Summary

JSBAR, LLC aims at successfully establishing a unique family and relaxed dining experience and sports bar in southeast Michigan. This venture should gross approximately \$1.84 million in sales and \$310,804 in pre-tax earnings its first full fiscal year of operation, with an initial investment of approximately \$750,000 to cover initial start-up costs (as dictated in **4.4 Start-Up Costs**).

JSBAR, LLC is a limited liability company owned by equal partners Jason Nies, Jon Robinson, John Pewinski, and Steven Stauch. JS Bar, LLC will operate under the name The Hills Grille. The four investors will be treated as members and will be personally investing \$75,000 each. An estimated \$450,000 of additional investment capital will be obtained through financing. This debt will be retired within 90 months of operation. The financing, in addition to the initial capital investment, will allow the venture to successfully open and maintain operations through the first year. A sophisticated, upscale, and technologically advanced environment is essential to provide our diverse customer base with an environment open to socialization and consumption.

Highlights



1.1 Objectives

Objectives for the first year of operation include:

- Select a prime location based on traffic flow, nearby housing and population growth.
- Offer quality food and drink menu at a reasonable price affordable to the majority of the population.
- Obtain revenue from all four day parts.
- Create a unique bar atmosphere that allows the comfortable intermingling of customers looking to dine, watch sports, or socialize.

1.2 Mission

JSBAR, LLC will provide a dining and entertainment experience for a variety of niche clientele groups. The atmosphere will be comfortable for a broad range of demographics. Projectors and televisions showing a selection of sporting events will cater to the sports fan. A large selection of entrées, including a children's menu, will provide families with a comfortable family dining setting. A

reasonably priced, expedient service lunch menu will garner the attention of many, including local professionals, while an extensive beverage menu, televised sporting events, and entertainment will make the establishment the premier local nightspot. The visual element is essential to the success of The Hills Grille, from logo branding throughout the establishment to quality bar and restaurant furniture to high definition televisions for sporting events in the restaurant section and in the bar area. Our overall goal is to provide a diverse customer base with quality food, drink, service, and entertainment.

1.3 Keys to Success

The keys to success in achieving our goals are:

- Providing a quality product and atmosphere at a fair price so as to draw from a diverse customer base.
- Adapting to a changing market at a pace faster than other corporate or franchised businesses attracting similar clientele.
- An evolving market fresh food menu and a unique beverage menu with happy hour and nightly drink specials, combined with signature entrées and desserts.
- High volume of food sales to establish consistent cash flow.

1.4 Risks

The risks involved with starting The Hills Grille are:

- Gaining an initial loyal customer base.
- Establishing The Hills Grille as both a premier local nightspot and dining establishment.
- Garnering consistent food-based revenue 7 days a week.

1.5 Competition

Local competitors include:

- RJ's Pub
- Mr. B's
- Gus O'Connors
- Rochester Brewing Company
- Red Ox Tavern

2.0 Company Summary

The key elements of The Hills Grille's concept are as follows:

- Prime Location—The goal is to secure a high-visibility location with a unique floor plan, easy access and adequate parking.

- **Quality Food**—A freshly prepared streamlined menu with a selection of signature items and a rotating variety of market choices.
- **First Class Décor and Environment**—Numerous televisions and projection screens with a multitude of sports programming choices, combined with a fluid modernistic theme.
- **Multi-Faceted Format**— The Hills Grille will substantiate itself as a market leader in dining, entertainment, and atmosphere for four separate day parts and a selection of key clientele demographics. The Hills Grille will operate 11:00 a.m. – 12:00 a.m. Monday, Tuesday, and Wednesday; 11:00 a.m. – 2:00 a.m. Thursday and Friday; 9:00 a.m. – 2:00 a.m. on Saturday; and 9:00 a.m. – 12:00 a.m. on Sunday.

2.1 Company Ownership

JSBAR, LLC will be privately owned and operated as a limited liability company by equal members Jason Nies, Steven Stauch, John Pewinski, and Jon Robinson. Mr. Nies has owned and operated a successful Ram's Horn franchise in Waterford, MI since 2000. Mr. Robinson has held managerial, marketing, entertainment direction, and accounting positions for The Necto Nightclub in Ann Arbor, MI since 2001. Mr. Pewinski has successfully managed a Ram's Horn in Dearborn, MI, and Mr. Stauch has an extensive US Army background and is currently the store manager of a Target. It is estimated that collective annual managerial salaries will not exceed \$200,000.

2.2 Company Location and Facilities

JSBAR, LLC is working to secure the end-cap of Papa Joe's Plaza in the northwest corner of Rochester Rd. and Tienken Rd. in Rochester Hills, MI. The location is approximately 5,400 square feet in the high traffic area on the end cap of the plaza, with ample parking of approximately 600 spaces. The restaurant will accommodate approximately 200 to 250 customers. In addition to restaurant seating, the location will also have a separate bar area with standing room and bar rails. High ceilings and unobtrusive bar areas will create a welcoming sense of openness which will encourage the customer to move freely and enjoy all areas of the establishment. Additionally, an outdoor patio for the warmer months will distinguish The Hills Grille from its competitors.

3.0 Strategy and Implementation Summary

The Hills Grille will adequately serve a variety of niche markets. Young professionals, family diners and sports enthusiasts will all enjoy the location. The product will be kept fresh and up-to-date with a consistent rotating menu of food and beverages, interactive sports and non-sports related promotions, and featured entertainment.

A readily identifiable name, logo, and atmosphere will allow The Hills Grille to secure a consistent client base from our niche demographics. The infrastructure for JSBAR, LLC will be built on our flagship location and will be able to be straightforwardly replicated if the opportunity for expansion arises in the future.

3.1 Marketing Strategy

A combination of local print media advertising and a prime location with visible exterior will help to establish The Hills Grille and grow its market share quickly. By providing a unique quality product combined with excellent service, The Hills Grille will ensure return customers. In-house promotions and special events will also bring customers back regularly. The availability of the property for event rental and off-premises catering services will expand the brand outside of its normal everyday operating limitations and provide additional sources of revenue.

3.2 Pricing Strategy

Food items will be moderately priced, on par with competing family dining establishments with similar environments and class levels. High ticket food items such as steaks and fresh fish will be offered, however we expect the majority of revenue to be derived from salads, pizzas, sandwiches and wraps, hamburgers, chicken and pasta dishes, and finger foods. With the exception of specials to attract clientele to slower business days, beverage menu prices will remain static yet attractive to the price-conscious customer. High volume and consistent turnover will ensure cash flow while the availability of alcoholic beverages will allow for additional revenue at a higher profit margin.

3.3 Sales Forecast

The Hills Grille will be established as a high quality restaurant first and foremost, while alcohol will be used as an addition to the business model. Overall revenue will be approximately 80% food-based and 20% alcohol-based. The \$1.8 million mark is the expected initial average annual sales expectancy and the most likely case scenario for The Hills Grille, which represents approximately 54% of its revenue potential in its initial location.

3.4 Demographics

The Hills Grille will be located at the northwest corner of the Rochester Rd. & Tienken Rd. intersection. This upper class area on the north side of Rochester Hills is an established market with further residential and commercial growth planned through 2008. Within a 5-mile radius, there will be over 125,000 people living in the area. The average income will be over \$110,000. There is a great potential for The Hills Grille to succeed in this environment, which is rich with both population density and economic independence. When combined with the attractive physical structure and end-cap location of the

restaurant, a high traffic count of over 70,000 at the intersection will give The Hills Grille a greater potential to succeed.

4.0 Financial Plan

The financial plan calls for an initial infusion of \$750,000 in finances for start-up costs, of which \$450,000 would be financed over 7.5 years. Through steady annual growth of a minimum of 3%, it is the owner's intent to build equity in the brand name and to use this initial location as a flagship site for future expansion.

4.1 Important Assumptions

The business plan depends on important assumptions and key financial indicators, the most important of which are:

- We assume a slow-growth economy without a major recession or a change in the regional economic climate, including the automotive industry.
- We assume access to sufficient capital and financing to maintain our financial plan for growth.
- Food costs must be kept at or below 30%.
- Alcohol costs must be kept below 20%.
- Payroll costs must be kept below 32%.

4.2 Break-Even Analysis and Worst Case Scenario

The break even analysis is based upon fixed and variable costs, as well as loan repayment. The break even point is reached at approximately \$1.1 million in annual sales, a figure that is below the worst case scenario of approximately \$1.3 million in annual sales, considering the revenue that can be generated from both food and alcohol sales in both shared and distinct day parts. The worst case scenario was generated by reducing bar sales to 20% of capacity and lunch sales to 30% of capacity. Although the worst case scenario is highly unlikely, The Hills Grille would still be able to maintain regular payment of all bills and financial responsibilities, including rent and bank loan repayment, while still preserving a healthy profit margin.

4.3 Projected Profit and Loss Summary

The table below illustrates the projected summarized Profit & Loss statement for The Hills Grille at its initial location for the first 3 years of operation.

Summarized Profit & Loss Statement			
	2007	2008	2009
Sales	\$1,841,760	\$1,897,013	\$1,953,923
Variable Costs	\$1,075,132	\$1,107,386	\$1,140,607
Fixed Costs	\$455,825	\$469,500	\$483,585
Loan Repayment	\$85,525	\$85,525	\$85,525
Interest Expense	(\$43,090)	(\$64,411)	(\$86,312)
EBIT-DA	\$310,804	\$320,128	\$329,732
Estimated Tax Expense	\$108,781	\$112,045	\$115,406
Estimated Net Profit	\$202,022	\$208,083	\$214,326
EBIT-DA/Sales (operating margin)	16.88%	16.88%	16.88%
Estimated Net Profit/Sales	10.97%	10.97%	10.97%

4.4 Start-Up Costs

Administrative Start-Up Costs		
	Accounting	\$5,000
	Legal - Organization	\$1,500
	Liquor License	\$6,000
Permits		\$2,000
Tenant Improvements		
	Televisions & Projectors	\$48,000
	Bathrooms	\$30,000
	Bar	\$20,000
	Specialized Lighting	\$20,000
	Flooring & Misc Improvements	\$170,000
Security System		\$2,000
Architectural		\$50,000
Kitchen Equipment		
	Tap System	\$6,000
	Walk Ins	\$75,000
	Shelves	\$15,000
	Other	\$100,000
Grease Trap		\$25,000
Furniture		\$75,000
Artwork / Decorations		\$25,000
Signage		\$20,000
Menus		\$5,000
Pre Opening Labor		
	Management	\$10,000
	Training	\$10,000
Working Capital		\$28,000
Pre Opening Advertisement		\$1,500
Total Start - Up Costs		\$750,000
Depreciated Start-up Costs		\$636,000
% Equity		40%
Bank Loan		\$450,000
Interest Rate		10%
Amortization Period		7.5
Equity Required		\$300,000
Loan Payment		(\$85,525)

4.5 Fixed Costs

The table below illustrates the estimated first year fixed costs for JSBAR, LLC at its initial location.

	Unit Cost	# of Units	Total
Rent	\$29	5,400	\$153,900
Utilities	\$8	5,400	\$43,200
NNN Expenses - Insurance, CAMS, Property Taxes	\$4	5,400	\$21,600
Liability Insurance	\$60,000	1	\$60,000
Other Insurance	\$10,800	1	\$10,800
Legal	\$5,000	1	\$5,000
Accounting	\$5,000	1	\$5,000
Advertising	\$20,000	1	\$20,000
Maintenance	\$5,000	1	\$5,000
Dues & Subscriptions	\$10,000	1	\$10,000
Office Expenses	\$5,000	1	\$5,000
Club Supplies	\$10,000	1	\$10,000
Employee Benefits	\$3,600	3	\$10,800
Equipment Upgrades	\$5,000	1	\$5,000
Aesthetic Upgrades	\$5,000	1	\$5,000
			<u>\$370,300</u>
Fixed Loan Payment			<u>\$85,525</u>
Total Fixed Costs			<u>\$455,825</u>

MICHIGAN DEPARTMENT OF LABOR & ECONOMIC GROWTH BUREAU OF COMMERCIAL SERVICES	
Date Received	(FOR BUREAU USE ONLY)
	FILED
	AUG 31 2006
This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.	

Name <i>Jason Nies</i>		
Address <i>1329 Clear Creek Dr.</i>		
City <i>Rochester Hills</i>	State <i>MI</i>	Zip Code <i>48306</i>

Administrator Tran Info: 12096007-1 08/30/06
 BUREAU OF COMMERCIAL SERVICES Fee #: 144 Amt: \$50.00
 ID: KARI NIES
 EFFECTIVE DATE:

Document will be returned to the name and address you enter above. If left blank document will be mailed to the registered office.

ARTICLES OF ORGANIZATION

For use by Domestic Limited Liability Companies

(Please read information and instructions on last page)

Pursuant to the provisions of Act 23, Public Acts of 1993, the undersigned execute the following Articles:

D0695V

ARTICLE I

The name of the limited liability company is: JSBAR, LLC

ARTICLE II

The purpose or purposes for which the limited liability company is formed is to engage in any activity within the purposes for which a limited liability company may be formed under the Limited Liability Company Act of Michigan.

ARTICLE III

The duration of the limited liability company if other than perpetual is: _____

ARTICLE IV

- The street address of the location of the registered office is:
1329 Clear Creek Dr. Rochester Hills, Michigan 48306
(Street Address) (City) (ZIP Code)
- The mailing address of the registered office if different than above:
 _____, Michigan _____
(Street Address or P.O. Box) (City) (ZIP Code)
- The name of the resident agent at the registered office is: Jason Nies

ARTICLE V (Insert any desired additional provision authorized by the Act; attach additional pages if needed.)

Signed this 24 day of August, 2006

By [Signature]
(Signature(s) of Organizer(s))

**OPERATING AGREEMENT FOR
JSBAR, LLC**
A Michigan Limited Liability Company

This Operating Agreement (this "Agreement") is made on September _____, 2006 among **JSBAR, LLC**, a Michigan limited liability company ("Company"); **Jonathan Robinson, Steven Stauch, John Pewinski, and Jason Nies** and those individuals who are later admitted as members (individually, "Member," and collectively, "Members"), who agree as follows:

RECITALS

On August 31, 2006, the Members formed the Company under the laws of the State of Michigan by filing Articles of Organization with the Bureau of Commercial Services of the Michigan Department of Labor & Economic Growth, and became equal Members in the Company.

The Members and the Company desire to enter into this Agreement to set forth the entire agreement and the relationships intended between the Members.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants, conditions and agreements hereinafter set forth, the Company and the Members agree as follows:

**ARTICLE I
DEFINITIONS**

1.1 Definitions. Capitalized words and phrases used in this Agreement and not otherwise defined elsewhere in this Agreement shall have the meanings set forth in this Article.

1.2 Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time (or any corresponding provisions of succeeding law).

1.3 Company Minimum Gain. "Company Minimum Gain" has the meaning set forth in Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

1.4 Gross Asset Value. "Gross Asset Value" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

- (a) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the other Members.
- (b) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Members, as of the following times: (a) the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis capital contribution; (b) the distribution by the Company to a

Member of more than a de minimis amount of real or personal property owned by the Company as consideration for an interest in the Company; and (c) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however that adjustments pursuant to clauses 4.1(a) and (b) below shall be made only if the Members reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

- (c) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the distributee and the other Members; and
- (d) The Gross Asset Value of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and the provisions hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this Section 1.4(d) to the extent the Members determine that an adjustment pursuant to Section 1.4(d) hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this Section 1.4(d).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to Section 1.4(a), Section 1.4(b), or Section 1.4(d) hereof, such Gross Asset Value shall thereafter be adjusted by the depreciation taken into account with respect to such asset for purposes of computing profits and losses.

1.5 Member Nonrecourse Debt. "Member Nonrecourse Debt" has the meaning set forth in Section 1.704-2(b)(4) of the Regulations.

1.6 Member Nonrecourse Debt Minimum Gain. "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 such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Section 1.704-2(i)(3) of the Regulations.

1.7 Member Nonrecourse Deductions. "Member Nonrecourse Deductions" has the meaning set forth in Sections 1.704-2(b)(2) and 1.704-2(d).

1.8 Membership Interest. "Membership Interest" has the same meaning as defined in the Michigan Limited Liability Company Act, MCL 450.4101 et seq.

1.9 Net Cash From Operations. "Net Cash From Operations" means the gross cash proceeds from Company operations less the portion thereof used to pay or establish reserves for all Company expenses, debt payments, capital improvements, replacements, and contingencies, all as determined by the Members. Net Cash From Operations shall not be reduced by depreciation, amortization, cost recovery deductions, or similar allowances, but shall be increased by any reductions of reserves previously established pursuant to the first sentence of this Section.

1.10 Net Cash From Sales or Refinancings. "Net Cash From Sales or Refinancings" means the net cash proceeds from all sales, other dispositions, and refinancings of Company property, less any portion thereof used to establish reserves, all as determined by the Members. Net Cash From Sales or Refinancings shall include all principal and interest payments with respect to any note or other obligation received by the Company in connection with the sale or other disposition of Company property.

1.11 Nonrecourse Liability. "Nonrecourse Liability" has the meaning set forth in Section 1.704-2(b)(3).

1.12 Original Members. "Original Members" means the following individuals, who were the initial Members at the time of formation of the Company: Jonathan Robinson, Steven Stauch, John Pewinski, and Jason Nies.

1.13 Regulations. "Regulations" means the Income Tax Regulations, including Temporary Regulations, promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

ARTICLE II ORGANIZATION

2.1 Formation. The Company has been organized as a Michigan limited liability company pursuant to the Michigan Limited Liability Company Act, 1993 PA 23, as amended (the "Act") by the filing of Articles of Organization ("Articles") with the Department of Labor & Economic Growth of the State of Michigan as required by the Act.

2.2 Name. The name of the Company is JSBAR, LLC. The Company may also conduct its business under one or more assumed names.

2.3 Purposes. The purpose of the Company is to engage in any activity for which limited liability companies may be formed under the Act, including, without limitation, the acquisition and operation of a bar and/or restaurant. The Company shall have all the powers necessary or convenient to effect any purpose for which it is formed, including all powers granted by the Act.

2.4 Duration. The Company shall continue in existence for the period fixed in the Articles for the duration of the Company or until the Company dissolves and its affairs are wound up in accordance with the Act or this Operating Agreement.

2.5 Registered Office and Resident Agent. The Company's Registered Office and Resident Agent shall be as designated in the initial or amended Articles. The Registered Office and/or Resident Agent may be changed from time to time. Any such change shall be made in accordance with the Act. If the Resident Agent resigns, the Company shall promptly appoint a successor.

2.6 Intention for Company. The Members have formed the Company as a limited liability company under the Act. The Members specifically intend and agree that the Company not be a partnership (including a limited partnership) or any other venture, but a limited liability company under and pursuant to the Act. No Member shall be construed to be a partner in the Company or a partner of any other Member or person, and the Articles, this Operating Agreement, and the relationships created by and arising from them shall not be construed to suggest otherwise.

2.7 Taxation as a Partnership. The Members intend that the Company shall be taxed as a partnership, pursuant to Subchapter K of the Code, for federal and state income tax purposes, and agree to report all Company items of income, gain, loss, deduction and credit in accordance with that Subchapter.

ARTICLE III BOOKS, RECORDS, AND ACCOUNTING

3.1 Books and Records. The Company shall maintain complete and accurate books and records of the Company's business and affairs as required by the Act. Such books and records shall be kept at the Company's Registered Office.

3.2 Fiscal Year; Accounting. The Company's fiscal year shall run from February 1 to January 31 of each year. The particular accounting methods and principles to be followed by the Company shall be selected by the Members from time to time.

3.3 Reports. The Company shall provide to the Members, in the time, manner, and form that the Company determines, reports concerning the financial condition and results of operation of the Company and the Members' Capital Accounts. Such reports shall be provided at least annually, as soon as practicable after the end of each fiscal year, and shall include a statement of each Member's share of profits and other items of income, gain, loss, deduction, and credit.

3.4 Members' Accounts. The Company shall maintain separate Capital Accounts for each Member. Each Member's Capital Account shall reflect the Member's Capital Contributions and increases for the Member's share of any of the Company's net income or gain. Each Member's

Capital Account shall also reflect decreases for distributions made to the Member and the Member's share of any of the Company's losses and deductions.

ARTICLE IV CAPITAL CONTRIBUTIONS; MEMBERSHIP INTERESTS

4.1 Members' Capital Accounts. The Company shall calculate and maintain capital accounts for each Member ("Capital Accounts") according to the provisions of this Article, next following.

- (a) For purposes of calculating and maintaining each Capital Account, the term "Capital Contributions" shall have the following meaning: "Capital Contributions" means, with respect to any Member, the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Company with respect to the Membership Interest held by such Member pursuant to the terms of this Agreement. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or by a Member related to the maker of the note within the meaning of Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Contribution of any Member until the Company makes a taxable disposition on the note or until (or to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).
- (b) Each Member's Capital Account shall be credited by the amount of such Member's Capital Contributions as defined above, such Member's distributive share of profits and any items in the nature of income or gain which are specially allocated pursuant to the provisions of Article V hereof, and the amount of any Company liabilities assumed by such Member or which are secured by any property distributed to such Member.
- (c) Each Member's Capital Account shall be debited by the amount of cash and the Gross Asset Value of any property distributed to such Member pursuant to any provisions of this Agreement, such Member's distributive share of losses and any items in the nature of expenses or losses which are specially allocated pursuant to the provisions of Article V hereof, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

- (d) In the event any interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest.
- (e) In determining the amount of any liability for purposes of Sections 4.1(b) and 4.1(c) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Members shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company or the Members), are computed in order to comply with such Regulations, the Members may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to Article X hereof upon the dissolution of the Company. The Members also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Regulations Section 1.704-1(b)(2)(iv)(g), and (ii) make any appropriate modifications in event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b).

4.2 Membership Interests. The Members have made Capital Contributions to the Company and consequently, as of the effective date of this Agreement, each of the Members owns a Membership Interest in the Company as specified below:

<u>Member</u>	<u>Membership Interest</u>
JONATHAN ROBINSON	25%
STEVEN STAUCH	25%
JOHN PEWINSKI	25%
JASON NIES	25%

A Membership Interest may be adjusted from time to time to reflect changes in the Capital Accounts of the Members and the total capital in the Company. Any additional Member (other than an assignee of a Membership Interest who has been admitted as a Member) shall make the Capital Contribution set forth in an agreement among the additional Member, the Company and the Members. No interest shall accrue on any Capital Contribution and no Member shall have any right to withdraw or to be repaid any Capital Contribution except as provided in this Agreement.

4.3 Additional Contributions. The Members may determine from time to time that additional Capital Contributions are needed to enable the Company to conduct its business and

affairs. After making such a determination, notice shall be given to all Members in writing at least ten (10) business days before the date on which the additional contributions are due. The notice shall describe in reasonable detail the purposes and uses of the additional capital, the amounts of additional capital required, and the date by which payment of the additional capital is due. Each Member shall make such additional Capital Contributions proportionate to his or her Membership Interest. Any Member who has fulfilled his or her commitment has the right, but not the obligation, to make any additional Capital Contributions needed, according to that Member's Membership Interest.

4.4 Failure to Contribute. If a Member fails to make an additional Capital Contribution when required, the Company may, in addition to pursuing any other rights and remedies the Company may have under the Act or applicable law, take any enforcement action (including the commencement and prosecution of court proceedings) against that Member that the other Members consider appropriate. Moreover, the remaining Members may elect to pay to the Company, an amount equal to the required capital, according to their respective Membership Interests. Such payments shall be a loan to the Company, payable with interest accruing on the extension at the rate of seven (7%) percent per annum until paid. This extension of credit shall be secured by the defaulting Member's interest in the Company and shall be repaid, with interest, before any distributions are made to any Members. Each Member who defaults grants to each Member who may later grant an extension of credit a security interest in the defaulting Member's interest in the Company.

ARTICLE V ALLOCATIONS AND DISTRIBUTIONS

5.1 Profits. After giving effect to the special allocations set forth in Sections 5.3 and 5.4 hereof, profits shall be allocated among the Members in proportion to their respective Membership Interests.

5.2 Losses. After giving effect to the special allocations set forth in Sections 5.3 and 5.4 hereof, losses shall be allocated among the Members in proportion to their respective Membership Interests.

5.3 Special Allocations. The following special allocations shall be made in the following order:

- (a) **Minimum Gain Chargeback.** Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this Article V, if there is a net decrease in Company Minimum Gain (as is defined in Section 1.5 hereof), during any fiscal year, each Member shall be allocated items of Company income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in

accordance with Regulations Section 1.704-2(f)(6) and 1.704(j)(2) of the Regulations. This Section 5.3(a) is intended to comply with the minimum gain chargeback requirement in Section 1.704(f) of the Regulations and shall be interpreted consistently therewith.

- (b) **Member Minimum Gain Chargeback.** Except as otherwise provided in Section 1.704-1(i)(4) of the Regulations, notwithstanding any other provision of this Section 5.3, if there is a net decrease in Member Nonrecourse Debt Minimum Gain (as defined in Section 1.6 hereof) attributable to Member Nonrecourse Debt (as defined in Section 1.5 hereof) during any fiscal year, each Member with a share of Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Section 1.704-2(i)(5) of the Regulations, shall be allocated items of Company income and gain for such fiscal year (and, if necessary, subsequent fiscal years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Sections 1.704-2(i)(4) and 1.704-2(j)(2) of the Regulations. This Section 5.3(b) is intended to comply with the minimum gain chargeback requirement in Section 1.704-2(i)(4) of the Regulations and shall be interpreted consistently therewith.
- (c) **Qualified Income Offset.** In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-1(b)(2)(ii)(d)(6) of the Regulations, items of Company income and gain shall be allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the adjusted Capital Account deficit of such Member as quickly as possible; provided that an allocation pursuant to this Section 5.3(c) shall be made only if and to the extent that such Member would have an adjusted Capital Account deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.3(c) were not in this Agreement.
- (d) **Gross Income Allocation.** In the event any Member has a deficit Capital Account at the end of any fiscal year which is in excess of the sum of (1) the amount such Member is obligated to restore pursuant to any provision of this Agreement, and (2) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be allocated items of Company income and gain in the amount of such excess as quickly as

possible, provided that an allocation pursuant to this Section 5.3(d) shall be made only if and to the extent that such Member would have a deficit Capital Account in excess of such sum after all other allocations provided for in this Section 5.3 have been made as if Section 5.3(c) hereof and this Section 5.3(d) were not in the Agreement.

- (e) **Nonrecourse Deductions.** Nonrecourse deductions for any fiscal year shall be allocated among the Members in proportion to their Membership Interests.
- (f) **Member Nonrecourse Deductions.** Any Member Nonrecourse Deductions (as defined in Section 1.7 hereof) for any fiscal year shall be allocated to the Member 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 Regulations Section 1.704-2(i)(1).
- (g) **Code Section 754 Adjustment.** To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 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 Member in complete liquidation of his or her interest in the Company, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis) and such gain or loss shall be allocated to the Member in accordance with his or her interest in the Company in the event Regulation Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Members to whom such distribution was made in the event Regulation Section 1.704-1(b)(2)(iv)(m)(4) applies.

5.4 Curative Allocations. The allocations set forth in Sections 5.3(a), 5.3(b), 5.3(c), 5.3(d), and 5.3(e) hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 5.4. Therefore, notwithstanding any other provision of this Article V (other than the Regulatory Allocations) the Members shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner they determine appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 5.1 and 5.2 hereof. In exercising the discretion under this Section 5.4, the Members shall take into account further Regulatory Allocations under Sections 5.3(a) and 5.3(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Sections 5.3(c) and 5.3(d).

5.5 Other Allocation Rules.

- (a) The Members are aware of the income tax consequences of the allocations made by this Article V and hereby agree to be bound by the provisions of this Article V in reporting their shares of Company income and loss for income tax purposes.
- (b) For purposes of determining the profits, losses or any other items allocable to any period, profits, losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Members using any permissible method under Code Section 706 and the Regulations thereunder.
- (c) Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Company, within the meaning of Regulations Section 1.752-3(a)(3), the Members' interests in Company profits are in proportion to their Membership Interests.
- (d) To the extent permitted by Section 1.704-2(h)(3) of the Regulations, the Members shall endeavor not to treat distributions of Net Cash From Operations (as defined in Section 1.9 hereof) or Net Cash From Sales or Refinancings (as defined in Section 1.10 hereof) as having been made from the proceeds of a Nonrecourse Liability (as defined in Section 1.11) or a Member Nonrecourse Debt.

5.6 Tax Allocations: Code Section 704(c). In accordance with Code Section 704(c) and the Regulations thereunder income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its initial Gross Asset Value (computed in accordance with Section 1.4 hereof).

In the event the Gross Asset Value of any Company assets is adjusted pursuant to Section 1.4 hereof, subsequent allocations of income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Regulations hereunder.

Any elections or other decisions relating to such allocations shall be made by the Members in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.6 are solely for the purposes of federal, state and local taxes and shall not affect, or in any way be taken into account, in computing, any Member's Capital Account or share of profits, losses, other items or distributions pursuant to any provisions of this Agreement.

5.7 Distributions. The Company shall make distributions to the Members from time to time out of Net Cash From Operations as such term is defined in Section 1.9 and/or Net Cash From Sales or Refinancing, as such term is defined in Section 1.10. Such distributions may be made only after the Members determine, in their reasonable judgment, that the Company has sufficient cash on hand which exceeds the current and anticipated needs of the Company to fulfill its business purposes (including needs for operating expenses, debt service, acquisitions, reserves and mandatory distributions, if any). Such distributions shall be made to the Members in accordance with and proportionate to their respective Membership Interests. Distributions shall be made in cash or property or partially in both, as determined by the Members. No distribution shall be declared or made until any loan given by any Member of the Company to the Company has been repaid in full, including any accrued interest. No distribution shall 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 the Company's total assets would be less than the sum of its total liabilities, plus the amount that would be needed if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights of other Members upon dissolution that are superior to the rights of the member receiving the distribution.

ARTICLE VI DISPOSITION OF MEMBERSHIP INTERESTS

6.1 Compliance with Securities Laws. Each Member respectively covenants with, and represents and warrants to, the Company and the other Members, respectively, as follows:

- (a) Such Member has acquired his or her Membership Interest for his or her own account and for investment purposes only, and not with a view to the assignment of all or any portion of such Membership Interest;
- (b) Such Member shall not assign all or any portion of his or her Membership Interest in a manner which violates any federal or state securities law; and
- (c) Such Member shall indemnify, defend and hold harmless the other Members, the Company and the Company's employees, agents, successors and assigns from and against any and all losses, damages, liabilities, claims, demands, obligations, fines, penalties, expenses (including reasonable fees and expenses of attorneys engaged by the indemnitee in defense of any act or omission), judgments or amounts paid in settlement by the indemnitee incurred by the indemnitee as a result of any breach of the covenants, representations and warranties made in this Paragraph 6.1 by such Member.

6.2 General. Every sale, assignment, transfer, exchange, mortgage, pledge, grant, hypothecation, or other disposition of any Membership Interest shall be made only in compliance

with this Article. No Membership Interest shall be disposed of if (a) the disposition would cause a termination of the Company under the Internal Revenue Code of 1986, as amended; (b) the disposition would not comply with all applicable state and federal securities laws and regulations; or (c) the assignee of the Membership Interest fails to provide the Company with the information and agreements that the Members may require in connection with such a disposition. Any attempted disposition of a Membership Interest in violation of this Article is void.

6.3 Right of First Refusal. A Membership Interest may not be pledged, sold or otherwise transferred by operation of law or any other means, unless the membership is first offered to the Company and the remaining Member(s) in accordance with the following terms and conditions:

(a) The Member must notify the Company in writing that the Member intends or desires to transfer the Membership Interest. The notice must include the name of the proposed transferee, the terms of the proposed transfer, and the consideration offered, if any, for the transfer of the Membership Interest.

(b) The Company shall have 30 days after receipt of the written notice to determine whether to buy the Membership Interest from the Member. If the Member has received a bona fide offer to buy the Membership Interest, the Company may purchase the Membership Interest on the same terms and for the same consideration as the bona fide offer. If the offer disclosed in the notice is not a bona fide offer received from a third party, the Company may purchase the Membership Interest under the procedures described at Section 6.5.

(c) If the Company does not elect to buy the Membership Interest, the Membership Interest shall be offered to the remaining Member(s) of the Company. Written notice of the offer (as set forth in subsection (a) above) shall be furnished to the remaining Member(s), who shall have 30 days after receipt of the written notice to determine whether to buy the Membership Interest from the transferring Member. The price and terms shall be as provided in subsection (b) above. If there is more than one remaining Member who elects to buy the Membership Interest, the Membership Interest shall be divided among the electing Members in proportion to their Membership Interests.

(d) If the Membership Interest is not purchased by the Company or the remaining Member(s), the Membership Interest may be transferred once free from the restrictions contained in this Article. After the transfer, this restriction shall attach to the Membership Interest transferred. The transferee shall have the rights of an assignee unless admitted as a substitute Member under Section 6.8.

6.4 Exceptions. The restrictions in Section 6.2 and the right of first refusal in Section 6.3 do not apply to a voluntary transfer by a Member to a revocable living trust established by that Member or to a transfer to the personal representative of a deceased Member's estate. Any Membership Interest owned by a revocable living trust is considered to be owned by the Member who established the living trust until that Member's death. A personal representative of a

deceased Member's estate shall hold the Membership Interest only as an assignee with the rights described at Section 6.7.

6.5 Call Option. If a Member attempts to transfer all or any portion of a Membership Interest in violation of this Agreement, the Company shall have the option to purchase that Member's Membership Interest in accordance with the following terms and conditions:

(a) This option may be exercised by giving the Member whose interest is to be purchased written notice of the exercise of the option. Closing shall take place within 60 days after notice of the exercise of the option is given.

(b) The purchase price for the interest shall be 60 percent of the balance in the transferring Member's Capital Account as of the last day of Company's most recently ended tax year.

(c) The purchase price shall be paid as follows: (i) 10 percent of the purchase price shall be paid by cashier's or certified check or by wire transfer at closing; and (ii) the balance of the purchase price shall be paid with a promissory note from the Company providing for payment of principal and interest in equal monthly installments amortized over a period of 10 years and payable in full at the end of 10 years. Interest shall accrue from the date of closing at the applicable federal rate for notes of similar length. The note may be prepaid without penalty.

6.6 Death or Dissolution of a Member. Upon the death or dissolution of a Member ("Departing Member"), the Company shall purchase the Departing Member's interest in the Company in accordance with the following terms and conditions.

(a) The closing on the purchase and sale of the Departing Member's interest shall take place within 90 days of notice of the Departing Member's death or dissolution.

(b) Except as provided in Section 6.9, the purchase price of the Departing Member's interest is Book Value. "Book Value" means the Company's total assets minus total liabilities, as shown on the Company's financial statements using accounting principles consistently applied, except that values for real estate held by Company shall be determined by appraisal, for the fiscal year ending immediately prior to the year the written notice of transfer is received by the Company multiplied by the Departing Member's Percentage Interest. If the parties to the transaction do not agree on the calculation of Book Value, upon the demand of any party, the parties shall attempt to agree on the selection of a certified public accountant to be hired for the purpose of calculating Book Value (who may also hire a real estate appraiser for determining real estate values), and whose determination is binding on all parties. If the parties are unable to agree on the selection of a certified public accountant within 15 days after the demand, any party may demand arbitration pursuant to Section 11.1.

(c) The purchase price shall be paid as follows: (i) the greater of 20 percent of the purchase price or the amount of any insurance paid to the Company as a result of the

deceased Member's death, but not more than the purchase price, shall be paid by certified or cashier's check or by wire transfer at closing; and (ii) the balance shall be paid with a promissory note payable to the personal representative or trustee in 60 equal monthly installments of principal and interest. Interest shall accrue from the date of closing at the applicable federal rate for notes of similar length. The first payment shall be due one month from the date of closing. The promissory note shall be subordinate to all the Company's indebtedness to banks or other lending institutions incurred prior to the Departing Member's death or dissolution, including any renewals, extensions or modifications of those debts.

(d) A personal representative's interest in the Company is that of an assignee under Section 6.7.

6.7 Rights of Assignee. Subject to the other provisions of this Article, a Member may assign the Member's Membership Interest in the Company in whole or in part. The assignment of a Membership Interest does not entitle the assignee to participate in the management and affairs of the Company or to become a Member. An assignee is entitled to receive, to the extent assigned, the distributions to which the assigning Member would otherwise be entitled.

6.8 Admission of a Substitute Member. An assignee of a Membership Interest is admitted as a substitute Member, having all the rights and powers of the assigning Member only if the following requirements are satisfied: (a) the Members consent in writing; (b) the assignee agrees to be bound by the terms and conditions of this Agreement; (c) an opinion of counsel for the Company is obtained to the effect that there is no violation of applicable federal or state securities laws and other legal requirements; (d) if the Member is an organization, it is duly organized, validly existing, and in good standing under the laws of its state of organization with full power to execute and agree to this Agreement and to perform its obligations as outlined in this Agreement; and (e) the Member whose Membership Interests are the subject of the transfer, or the substitute Member, shall reimburse the Company for all reasonable costs and expenses the Company incurs in connection with the transfer of the Membership Interests and in obtaining compliance with the terms and provisions of this Agreement. An assignee will be considered to be a substitute Member upon signing a counterpart of this Agreement.

6.9 Agreed Value. Notwithstanding anything to the contrary above, the Company and Members 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) upon the transfer of Membership Interests ("Agreed Value"). The Agreed Value shall be made, from time to time, in a writing that shall be signed and dated by all the Members and that shall be amended or revoked only by written agreement of all the Members, and, in any event, shall automatically expire and terminate if not renewed by the written agreement of all the Members within one year following the date the Agreed Value was last established or renewed. The Agreed Value, while effective, shall substitute for and supersede any purchase price determined by the foregoing provisions of this Article. The Members may further agree that the Agreed Value will be

discounted to account for certain circumstances or that a discounted Agreed Value shall apply for certain sections stated within this Article.

ARTICLE VII MEETINGS OF MEMBERS

7.1 Voting. All Members shall vote on any matter submitted to a vote of the Members. Each Member shall have one vote and/or fractional vote for each per cent or fraction of a per cent Membership Interest held by such Member. The Members shall vote on all matters involving the operation of the Company and the conduct of its affairs, and on all of the following: (a) the dissolution of the Company pursuant to paragraph 10.1(b) of this Agreement; (b) the merger of the Company; (c) a transaction involving an actual or potential conflict of interest between a Member and the Company; (d) an amendment to the Articles or this Operating Agreement; (e) borrowing money from banks and other lenders, and issuing notes, debentures and other debt securities and mortgaging, pledging, or encumbering the Company's assets to secure any borrowings on the Company's behalf; and (f) the sale, exchange, lease, or other transfer of all or substantially all of the Company's assets other than in the ordinary course of business.

7.2 Required Vote. Unless a greater vote is required by the Act, the Articles, or this Agreement, the affirmative vote or consent of a majority of the Membership Interests of all the Members entitled to vote or consent on the matter is required. Except as otherwise required by Michigan law or this Agreement, in the event of a tie vote among the Members, the names of the Original Members who at the time of the tie vote remain Members of the Company shall be placed into a hat or similar object, and the name of the person withdrawn shall cast the tie-breaking vote. In the event that none of the Original Members remain Members at the time of the tie vote, the tie vote shall be broken by an arbitrator as provided in paragraph 11.1.

7.3 Meetings. Members holding at least 10% of the Membership Interests of all Members may call a meeting. The Company shall deliver or mail written notice stating the date, time, place, and purpose(s) of any meeting to each Member entitled to vote at the meeting. The notice shall be given not less than 10 or more than 60 days before the meeting date. All meetings of Members shall be presided over by a Chairperson, designated by the Members from amongst themselves.

7.4 Consent. Any action required or permitted to be submitted to a vote of the Members may be taken by consent without a meeting, prior notice, or a vote. The consent must be in writing, set forth the action taken, and be signed by the Members having at least the minimum number of votes necessary to authorize or take such an action at a meeting at which all Membership Interests entitled to vote on the action are present and voting. Every written consent shall also bear the date signifying when each Member signed the consent. Prompt notice of the taking of action without a meeting by less than unanimous written consent shall be given to all Members who did not consent in writing to the action.

7.5 Proxies. A Member may vote by proxy executed in writing by the Member. The proxy shall be filed with the Company before or at the time of the meeting. A proxy shall not be valid after three months from the date of execution, unless otherwise provided in the proxy.

7.6 Participation in Meetings. Members may participate in a meeting by a conference telephone or similar communication equipment. All participants must be able to hear each other, and shall be advised of the communication equipment. The names of the participants in the conference shall be divulged to all participants. Participation in a meeting pursuant to this procedure shall constitute presence in person at the meeting.

ARTICLE VIII MANAGEMENT

8.1 Management Vested with Members. The Company's business and affairs shall be managed by the Members. The Members shall vote upon and decide such matters of management according to the requirements and provisions of Article VII, above. Subject to authority granted or limited by such votes and decisions, and as specified therein, and also subject to the limitations described in paragraph 8.2 below, each Member will have the power on behalf of the Company to do all things necessary or convenient to carry out the Company's business and affairs, including the power to (a) purchase, lease, or otherwise acquire any real or personal property; (b) sell, convey, mortgage, grant a security interest in, pledge, lease, exchange, or otherwise dispose of or encumber any real or personal property; (c) open one or more depository accounts and make deposits into, write checks against, and make withdrawals against such accounts; (d) borrow money and incur liabilities and other obligations; (e) enter into any and all agreements and execute any and all contracts, documents, and instruments; (f) engage employees and agents, define their respective duties, and establish their compensation or remuneration; (g) establish pension plans, trusts, profit-sharing plans, and other benefit and incentive plans for Company Members, employees, and agents; (h) obtain insurance covering the Company's business and affairs, its property, and the lives and well-being of its Members, employees, and agents; (i) begin, prosecute, or defend any proceeding in the Company's name; (j) participate with others in partnerships, joint ventures, and other associations and strategic alliances; and (k) accept, decline or reject a contribution of any property by a Member.

8.2 Limitations. Notwithstanding any other provisions of this Agreement, no act shall be taken, sum expended, decision made, obligation incurred, or power exercised by any Member on behalf of the Company, except by unanimous consent of all Members, with respect to (a) any purchase, receipt, lease, exchange, or other acquisition of any real or personal property or business; (b) the sale, exchange, lease, or other transfer of all or substantially all of the Company's assets other than in the ordinary course of business; (c) any loan, obligation, or indebtedness incurred on behalf of the Company, or the renewal, extension, modification, or replacement of any loan, obligation, or indebtedness of the Company in excess of \$ _____

_____ ; (d) any mortgage, grant of security interest, pledge, or encumbrance on any of the Company's assets and property; (e) any merger; (f) any amendment or restatement of the Articles or this Agreement; (g) any matter that could result in a change in the amount or character of the Company's capital; (h) any determination that additional capital contributions are needed to enable the Company to conduct its business and affairs; (i) any change in the character of the Company's business and affairs; (j) the commission of any act that would make it impossible for the Company to carry on its ordinary business and affairs; (k) the admission of any new Member to the Company; (l) the establishment of salaries to be paid to Members employed by the Company; (m) the employment of any non-Member individual or organization to operate any Company business; or (n) any act that would contravene any provision in the Articles, this Agreement or the Act.

8.3 Standard of Care; Liability. Every Member shall discharge his or her duties as a Member in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances and in a manner the Member reasonably believes to be in the Company's best interests. A Member shall not be liable for monetary damages to the Company for any breach of management duties except for (a) receipt of a financial benefit to which the Member is not entitled, (b) voting for or assenting to a distribution to Members in violation of this Agreement or the Act, or (c) a knowing violation of the law.

8.4 Reimbursement. Members shall be entitled to reimbursement from the Company for all Company expenses reasonably incurred and paid for by the Member on the Company's behalf.

8.5 Duties; Independent Activities. The Members shall manage and control the Company, its business and its affairs to the best of their ability and shall use their best efforts to carry out the business of the Company as set forth in this Agreement. The Members shall devote themselves to the business of the Company to the extent that they, in their reasonable judgment, deem necessary for the efficient carrying out of such business. Except as provided in this paragraph 8.5, any Member may engage in whatever other activities he or she chooses, without having or incurring any obligation to offer any interest in such other activities to the Company or any Member, and, as a material part of the consideration of the Members' execution of this Agreement, each Member waives, relinquishes, and renounces any such right or claim of participation. Notwithstanding anything to the contrary set forth above, the Members shall not directly or indirectly own any interest in or be employed in any bar, restaurant or business licensed by the Michigan Liquor Control Commission which is located within _____ miles of any bar, restaurant or business owned and/or operated by the Company.

ARTICLE IX EXCULPATION OF LIABILITY; INDEMNIFICATION

9.1 Exculpation of Liability. Unless otherwise provided by law or expressly assumed, a person who is a Member shall not be liable for the acts, debts, or liabilities of the Company.

9.2 Indemnification. Except as otherwise provided in this Article, the Company shall indemnify any Member and may indemnify any employee or agent of the Company who was or is a party, or is threatened to be made a party, to a threatened, pending, or completed action, suit, or proceeding (whether civil, criminal, administrative, or investigative and whether formal or informal), other than an action by or in the right of the Company, where such person is a party because the person is or was a Member, employee, or agent of the Company. The Company shall indemnify the Member, employee, or agent against expenses, including attorney fees, judgments, penalties, fines, and amounts paid in settlement, actually and reasonably incurred by that person in connection with the action, suit, or proceeding. The Company shall indemnify the Member, employee, or agent if the person acted in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner that the person reasonably believed to be in the Company's best interests. With respect to a criminal action or proceeding, the person must have had no reasonable cause to believe that his or her conduct was unlawful. To the extent that a Member, employee, or agent of the Company has been successful on the merits or otherwise in defense of an action, suit, or proceeding, or in defense of any claim, issue, or other matter in the action, suit, or proceeding, that person shall be indemnified against actual and reasonable expenses, including attorney fees, he or she incurs in connection with the action, suit, or proceeding and any action, suit, or proceeding brought to enforce this mandatory indemnification. Unless ordered by a court, any indemnification permitted under this Article shall be made by the Company only as the Company authorizes in the specific case after (a) determining that the indemnification is proper under the circumstances because the person to be indemnified has met the applicable standard of conduct and (b) evaluating the reasonableness of the expenses and of the amounts paid in settlement. This determination and evaluation shall be made by a majority vote of the Members who are not parties or threatened to be made parties to the action, suit, or proceeding. However, no indemnification shall be provided to any Member, employee, or agent of the Company for or in connection with (a) the receipt of a financial benefit to which the person is not entitled; (b) voting for or assenting to a distribution to Members in violation of this Agreement or the Act; (c) a knowing violation of the law; or (d) an action brought by or in the name of the Company.

ARTICLE X DISSOLUTION AND WINDING UP

10.1 Dissolution. The Company shall dissolve and its affairs shall be wound up on the first to occur of the following events: (a) at any time specified in the Articles or this Agreement; (b) on the unanimous consent of all the Members; or (c) upon the entry of a decree of judicial dissolution or by operation of law.

10.2 Winding Up. On dissolution, the Company shall cease carrying on its business and affairs and shall begin to wind them up. The Company shall complete the winding up as soon as practicable. On the winding up of the Company, its assets shall be distributed first to creditors, to

the extent permitted by law, in order to satisfy Company debts, liabilities, and obligations, and then to Members and former Members. Distributions to Members and former Members shall be made first to satisfy liabilities for distributions and then in accordance with the Members' Membership Interests. The proceeds shall be paid to the Members within 90 days after the date of the winding up.

ARTICLE XI MISCELLANEOUS PROVISIONS

11.1 Arbitration. If there is a tie vote among the Members which cannot be resolved as provided in paragraph 7.2 of this Agreement, or a dispute as to the interpretation of this Agreement, a Manager or any Member may make a written demand for arbitration under this Section. The parties shall attempt to agree on the selection of a single arbitrator to be hired for the purpose of breaking the tie or determining the other matter in dispute, whose determination shall be binding on all parties. If the parties are unable to agree on the selection of a single arbitrator within 15 days after the demand, each party shall appoint an arbitrator within 15 days. The two arbitrators shall then select a third arbitrator within 15 days of their appointment. If any party fails to appoint an arbitrator within the allotted time, there shall be only one arbitrator, the one selected by the other party. Each party shall bear the cost of the arbitrator that party selects. The parties shall equally bear the cost of the third arbitrator (or a single arbitrator if only one arbitrator is selected). The arbitrators shall reach their decision within 90 days after the appointment of the last arbitrator. The tie shall be broken and the interpretation or determination shall be made under the commercial arbitration rules of the American Arbitration Association as modified by this Section. The arbitration award is enforceable as a judgment of any court having proper jurisdiction. Each party shall bear that party's own legal expenses.

11.2 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.

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

11.4 Counterparts. This 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.

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

11.6 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

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

11.8 Notices. Any notice permitted or required under this Agreement shall be conveyed to the party at the address reflected in this Agreement and will be deemed to have been given when deposited in the United States mail, postage paid, or when delivered in person, by courier, or by facsimile transmission.

11.9 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement shall be binding on and shall inure to the benefit of the parties and their respective distributees, heirs, successors, and assigns.

11.10 Governing Law. This Agreement has been executed and delivered in the State of Michigan and shall be governed by, construed, and enforced in accordance with the laws of the State of Michigan. The parties have executed this Operating Agreement on the dates set forth below, to be effective on the date listed on the first page of this Operating Agreement.

ARTICLE XII CONFLICTS OF INTEREST

(1) **Conflicts of Interest.** Each Member was advised by Adkison, Need & Allen, P.L.L.C. ("Counsel") that a conflict of interest exists among the Members' individual interests and that they should seek the advice of independent counsel. Each Member has had the opportunity to seek the advice of independent counsel and has elected to do so or declined to do so without influence from any other party.

(2) **Waiver.** Each party to this Agreement has the information necessary to make an informed decision regarding this Agreement. Each party to this Agreement waives all claims against Counsel and its individual attorneys regarding any possible conflict of interest regarding this Agreement and its preparation.

The parties have executed this Operating Agreement on the dates set forth below, to be effective on the date listed on the first page of this Operating Agreement.

JSBAR, LLC

Date: _____

By: Jonathan Robinson
Its: Member

MEMBERS

Date: _____

Jonathan Robinson

Date: _____

Steven Stauch

Date: _____

John Pewinski

Date: _____

Jason Nies

Exhibit A

List of Members and Capital Contributions

<u>Name and Address</u>	<u>Capital Contribution</u>	<u>Percentage Interest</u>
Jonathan Robinson	\$100.00	25%
Steven Stauch	\$100.00	25%
John Pewinski	\$100.00	25%
Jason Nies	\$100.00	25%

Sports Bar Start - Up Costs 9/27/06

Administrative Start Up Costs

Accounting	\$	5,000
Legal - Organization	\$	1,500
Liquor License	\$	6,000

Permits \$ 2,000

Tenant Improvements

Televisions & Projectors	\$	48,000
Bathrooms	\$	30,000
Bar	\$	20,000
Specialized Lighting	\$	20,000
Flooring & Misc Improvements	\$	170,000

Security System \$ 2,000

Architectural \$ 50,000

Kitchen Equipment

Tap System	\$	6,000
Walk Ins	\$	75,000
Shelves	\$	15,000
Other	\$	100,000

Grease Trap \$ 25,000

Furniture \$ 75,000

Artwork / Decorations \$ 25,000

Signage \$ 20,000

Menus \$ 5,000

Pre Opening Labor

Management	\$	10,000
Training	\$	10,000

Working Capital \$ 28,000

Pre Opening Advertisement \$ 1,500

Total Start - Up Costs \$ 750,000

Depreciated Start-up Costs \$ 636,000

% Equity 40%

Bank Loan \$ 450,000

Interest Rate 10%

Amortization Period 7.5

Equity Required \$ 300,000

Loan Payment \$ (85,525)