

**CGCN GROUP LLC**

**OPERATING AGREEMENT**

**(Amended and Restated February 18, 2017)**

In accordance with the District of Columbia Limited Liability Company Act (the "Act"), Steve Clark ("**Clark**"), Jay Cranford, Ed Mullen, Samuel Geduldig ("**Geduldig**"), Mike Nielsen, Patrick O'Connor, Doug Schwartz, Ken Spain, John Stipicevic and Juliane Sullivan, being the Members of CGCN GROUP LLC (formerly Clark Geduldig Cranford & Nielsen, LLC (the "**Company**"), a District of Columbia limited liability company, hereby adopt this Operating Agreement of the Company, effective as of the 18<sup>th</sup> day of February, 2017 (the "Effective Date"), amending and restating in its entirety the Operating Agreement of the Company revised as of January 1, 2014 and amended and restated as of January 1, 2016 and as of June 1, 2016.

**ARTICLE I**

**FORMATION AND OFFICES**

**1.1. Formation.** Pursuant to the Act, the Members have caused to be formed a District of Columbia limited liability company which was effective upon the filing of the Articles (as hereafter defined) of the Company with the Corporations Division of the Department of Consumer and Regulatory Affairs of the District of Columbia ("DCRA"). The Members shall execute or cause to be executed all amendments of the Articles, and do all filing, recording and other acts as may be appropriate under the Act.

**1.2. Principal Office.** The principal office of the Company shall be located at such place as the Members may determine from time to time.

**1.3. Registered Office and Registered Agent.** The location of the registered office and the name of the registered agent of the Company in the District of Columbia shall be as stated in the Articles, or as shall be determined from time to time by the Members and filed with DCRA.

**1.4. Addition of Strategic Communications Practice to CGCN Group LLC.** Ed Mullen and Patrick O'Connor are joining the Company as Members to add a Strategic Communications practice to the existing Advocacy practice of the Company. The

parties intend to combine their existing practices and clients in the Company and cooperatively develop their respective practices in a combined cooperative effort as one entity. Ed Mullen, Patrick O'Connor and Ken Spain have entered into a written agreement (the "Agreement") with the Company setting out the arrangement between them and the existing CGCN Members regarding origination of business, allocation of fees, considerations for annual review of Interest percentages, and provision of a transfer fee reflecting an "Expense/Brand Transfer" of existing CGCN Group LLC business structure, infrastructure, administration, facilities and good will developed by the existing CGCN Members prior to the combination of practices. The Agreement has been approved by Resolution of the existing CGCN Members as a Contract of the Company.

**1.5. Practice Area Divisions.** The Company shall conduct the Business cooperatively as one enterprise but shall operate primarily in two disciplines which comprise the Business of the Company, and shall provide services through nominal Divisions, namely the CGCN Advocacy Division, which shall continue to provide legislative and issue advocacy primarily with the Federal Government, and the CGCN Strategic Communications Division, which shall provide media relations, grassroots activities, blog posting, conservative messaging, opposition research, polling, and web design geared to corporate and coalition messaging.

## **ARTICLE II**

### **DEFINITIONS**

**2.1 Defined Terms.** As used herein, the following terms have the following meanings, unless the context otherwise specifies:

**"Act"** means the District of Columbia Limited Liability Company Act, Title 29, Chapter 8 of the 2014 District of Columbia Code, as amended or substituted from time to time.

**"Additional Member"** shall have the meaning set forth in Section 8.6 below.

**"Affiliate"** means any Person directly or indirectly controlling, controlled by, or under common control with another Person, and any Person (i) owning or controlling more than 50% of the outstanding voting securities of such Person, (iii) who is an officer,

director, manager or partner of such Person, or (ii) who acts in a management, ownership or agency capacity for a Person who is an officer, director, manager or partner of such Person.

**"Articles"** means the Certificate of Organization of the Company filed with DCRA on September 22, 2011, as amended from time to time.

**"Available Cash"** means the aggregate amount of cash or other assets (as determined by the Managing Member) on hand or in bank, money market or similar accounts of the Company at any time derived from any source (other than capital contributions, loan proceeds or liquidating transactions) and which the Managing Member determines is available for distribution to the Members after taking into account any amount maintained as Reasonable Reserves.

**"Bankruptcy"** of a Member means when (i) an order for relief is entered in any case under Title 11 of the United States Code with respect to the Member as a debtor, (ii) the Member has filed or acquiesced in the filing of a petition in any court, other agency or political subdivision (including, but not limited to, federal or state court) in any bankruptcy, reorganization, receivership, composition, extension, arrangement or insolvency proceeding, or (iii) the Member has executed and delivered a general assignment for the benefit of his creditors.

**"Business"** means the legislative and issue advocacy consulting and related services conducted by the CGCN Advocacy Division of the Company and the media relations, grassroots activities, blog posting, conservative messaging, opposition research, polling, web design and related services conducted by the CGCN Strategic Communications Division of the Company, and to carry on all lawful business activities incidental thereto, including without limitation the entry into Contracts in furtherance of such business activities.

**"Capital Account"** means the separate capital account maintained by the Company for a Member in accordance with the provisions of Code section 704(b) and the Treasury Regulations thereunder solely for tax and accounting purposes.

**"Capital Contributions"** to the Company means the aggregate of the cash and fair market value (net of liabilities secured by contributed property which the Company

is considered to assume or to take subject to under Code section 752) of a Member's capital contribution (if any) that are designated as capital contributions in an amendment to this Operating Agreement and in the records of the Company maintained at the Company's principal place of business. The term Capital Contribution shall not include any amount constituting a loan to the Company by a Member.

**"CGCN Advocacy Division"** means the Division of the Company which has in the past and shall continue to provide legislative and issue advocacy primarily with the Federal Government, consisting of the Members set forth in **Schedule A**.

**"CGCN Strategic Communications Division"** means the Division of the Company which shall provide media relations, grassroots activities, blog posting, conservative messaging, opposition research, polling, and web design geared to corporate and coalition messaging, consisting of the Members set forth in **Schedule A**.

**"Clark"** refers to Steve Clark.

**"Code"** means the Internal Revenue Code of 1986, as amended.

**"Common Expenses"** means all general overhead and all other Operating Expenses of any nature whatsoever incurred by the Company, other than Specified Expenses, for which the Members are liable to compensate the Company in proportion to their respective Interests.

**"Company Monthly Financial Statement(s)"** has the meaning set forth in Section 5.1.

**"Contract"** means all contracts, leases, deeds, mortgages, licenses, instruments, notes, commitments, undertakings, indentures, joint ventures and all other agreements, commitments and legally binding arrangements, whether written or oral.

**"Debt Service"** means the total of all payments, including principal and interest, payable in any period with respect to any loans to the Company or any other loans pursuant to which the properties or assets of the Company are encumbered.

**"DC Code"** means the 2014 District of Columbia Code, as amended or replaced from time to time.

**“DCRA”** means the District of Columbia Department of Consumer and Regulatory Affairs, Corporations Division, as that agency or its name may be modified or replaced from time to time.

**“Disability”** means A physical or mental condition whereby, for a period which is reasonably expected to last at least one hundred eighty (180) consecutive calendar days or one hundred eighty-one (181) calendar days within a period of three hundred sixty-five (365) consecutive calendar days, a Person is (i) under a legal decree of incompetency, or (ii) eligible for benefits for more than 50% disability under any group or individual disability insurance policy (as confirmed by the insurance company), or (iii) unable to perform substantially all of his regular duties, as determined by two (2) licensed examining physicians, to which examination each Employee-Owner hereby consents

**“Division”** refers to the CGCN Strategic Communications Division of the Company or the CGCN Advocacy Division of the Company, as the context requires.

**“Existing Client”** means a client which is not a New Client.

**“Fair Market Value”** means, upon a Redemption Event with respect to separation of a Member from the Company by reason of a Redemption Event, the price which would be paid by a willing buyer to a willing seller in an arms'-length transaction to purchase all or a portion of the exclusive right as between the Company and such departing Member to provide service to such clients to which such Member had provided service during the twelve (12) months preceding such Member's Redemption Event, as such price may be mutually determined by the interested Member and the Company with advice from an independent appraiser. However, in the event the departing Member and the Company cannot mutually agree upon such price within fifteen (15) days after the triggering Redemption Event, the Fair Market Value of the Interest may be determined by the departing Member and the Company mutually agreeing upon and promptly appointing an independent appraiser who shall determine the Fair Market Value of the Interest and render and deliver to the departing Member and the Company a written report of his or her opinion thereon. Any appraiser appointed shall be duly licensed and qualified by experience and ability to value the Interest, and the fees and other costs of the appraiser shall be shared equally by the Interested Member and the Company. Any independent appraiser appointed

hereunder shall assume an all-cash sale of the Interest but shall not take into account any "minority ownership discounts" and/or "lack of marketability discounts" in valuing the departing Member's Interest.

**"Redemption Event"** has the meaning set forth in Section 8.7(a).

**"Fiscal Period"** shall have the meaning set forth in Section 5.1 below.

**"Geduldig"** refers to Samuel Geduldig.

**"Indemnitee"** shall have the meaning set forth in Section 7.2 below.

**"Interest"** means all of a Member's rights and interests in the Company in such Member's capacity as a Member of the Company, including such Member's economic interest and the right (if any) to vote such Interest as provided in this Agreement or in any applicable Resolution, which is stated as a percentage in **Schedule A**, as amended from time to time by the affirmative vote of Members holding a Supermajority of Member Interests.

**"Lead Member"** means, with respect to any Existing Client, the Member or Members, as the case may be, determined by the Managing Member and the Member(s) providing service to such Existing Client to be the principal service Member(s) for such Existing Client.

**"Majority in Interest"** means any group of Members holding an aggregate of more than 50% of the Interests held by all Members, unless otherwise indicated.

**"Managing Member"** means the Person(s) serving as Managing Member pursuant to Article VI of this Agreement. All references to "Managing Member" in this Agreement shall include and mean all Persons serving as Managing Member at any time.

**"Members"** means those persons executing or joining in this Operating Agreement as members of the Company whose names are set forth in **Schedule A**, as amended from time to time, directly or through an attorney in fact, including any Substitute Members or Additional Members, in each such Person's capacity as a member of the Company.

**"Net Income or Net Loss"** means the income or loss, as the case may be, of the Company for an accounting period as determined in accordance with Section 703(a)(1) of

the Code, including each item of income, gain, loss or deduction required to be separately stated, but excluding gain or loss from a sale or any liquidating transaction.

**"Net Revenue"** means the revenue derived from clients introduced by the CGCN Advocacy Division to the Strategic Communications Division, or vice versa, as the context requires, which are the total revenues from such client for the relevant period of time reduced by the Specified Expenses allocated to such client for the relevant period of time.

**"New Client"** has the meaning set forth in Section 4.2.

**"New Client Revenue"** has the meaning set forth in Section 4.2.

**"Non-Compete"** means a non-competition and nondisclosure agreement in form and substance satisfactory to the Company between the Company and a Member who has experienced a Redemption Event, under which the departing Member agrees not to compete with the Company with respect to clients of the Company the departing Member serviced prior to his or her separation from the Company and not to take any action that would directly or indirectly cause any such client to cease using the services of the Company or reduce the use of such services.

**"Notice"** means a writing, containing the information required by this Operating Agreement to be communicated to a party, sent by United States Certified or Priority mail, return receipt requested and postage prepaid, or by electronic mail, to such party at the last known address of such party as shown on the records of the Company, the date of receipt thereof as evidenced by the return receipt of United States mail or deliver confirmation of electronic mail, as the case may be, being deemed the date of receipt thereof.

**"Operating Agreement"** means this Operating Agreement of CGCN, LLC, a District of Columbia limited liability company, as it may be restated and/or amended from time to time.

**"Operating Expenses"** means all costs and expenses of the Company incurred in the ordinary course of operating the Business in any period.

**"Originating Division"** has the meaning set forth in Section 4.2.

**"Originating Member(s)"** or has the meaning set forth in Section 4.2.

**"Overriding Allocation/Distribution"** means fifteen percent (15%) of all revenue received by the CGCN Advocacy Division from an Existing Client after the first twelve (12) months of a New Client's engagement with the Company, or Net Revenue received by the CGCN Advocacy Division from a New Client or Existing Client after the introduction of such client by the CGCN Strategic Communications Division to the CGCN Advocacy Division, which shall be deducted from such revenues and allocated to the Lead Members and Ranking Members in accordance with Section 4.7 prior to allocation or distribution of such revenues in accordance with Article IV and Article V

**"Person(s)"** means any individual, partnership, limited liability company, corporation, cooperative, trust or other entity.

**"Percentage Interests"** means the relative percentage of the Interest of any one Member set forth in **Schedule A** to the total Interests set forth in **Schedule A** of a group of Members, whether the group is composed of all Members or a subgroup of the Members, as the case may be, as illustrated by example in **Schedule B**.

**"Plus Up"** has the meaning set forth in Section 4.3.

**"Profits" or "Losses"** means, for an accounting period or part thereof, the Net Income or Net Loss (or item of Net Income or Net Loss) of the Company:

(a) as determined by the outside independent certified public accountants for the Company for federal income tax purposes (for this purpose, all items of income, loss, gain or deduction required to be separately stated shall be included in taxable income or loss); **plus**

(b) income and gain exempt from tax and not otherwise included in taxable income or loss; **less**

(c) expenditures of the Company not deductible in computing the Company's taxable income and not properly chargeable to capital account or treated as described in Code section 705(a)(2)(B) and not otherwise taken into account in taxable income or loss.

**"Property"** means any property owned by the Company.

**“Ranking Member(s)”** means, with respect to any Existing Client, the Member or those Members who are determined by the Managing Member and the Lead Member to be providing substantial support to the Lead Member in servicing the client.

**“Reasonable Reserves”** means a reserve funded by the Company in an amount determined by the Managing Member not to exceed two (2) months of average Operating Expenses and Debt Service and no less than one (1) month of average Operating Expenses and Debt Service, or such greater or lesser amount determined and set forth from time to time in any applicable Resolution.

**“Redemption Event”** has the meaning set forth in Section 8.7(a).

**“Resolution”** means a resolution not inconsistent with this Agreement duly adopted by the Members holding a Supermajority. A resolution adopted by the Members shall not be considered inconsistent with this Agreement if such resolution does not conflict with an express provision of this Agreement, as amended.

**“Specified Expenses”** means costs and expenses incurred by the Company which are not Common Expenses (a) as approved by the Managing Member specifically and solely for a single Member or for his benefit, such as a special allowance or reimbursement not made available to other Members, (b) costs and expenses designated by the Managing Member as specifically and solely in support of a Division, and (c) costs and expenses other than compensation to Members and Company employees incurred by the Company exclusively to support provision of services to a client from which New Client Revenue or Plus Ups is earned.

**“Subscription Agreement”** means a written Contract between the Company and a Member (whether an existing Member or a Substitute Member or Additional Member), authorized by the Managing Member and approved by the Members pursuant to Section 6.10(b), pursuant to which such Member shall (a) acquire an Interest in the Company specified therein and (b) agree to take and hold such Interest subject to, and bound by, the provisions of this Agreement as the same applies to Members and their respective Interests. The provisions of this Agreement and the provisions of any such Subscription Agreement shall not be considered inconsistent with each other if such Subscription Agreement does not conflict with any of the express provisions of this Agreement or of a

Resolution. Each such Subscription Agreement shall be deemed to amend, and shall be incorporated into, this Agreement as an essential part of this Agreement. Exhibit 1 is an illustration of a form of Subscription Agreement which may be used with admission of an Additional Member or Substitute Member to membership in accordance with the provisions of Section 8.4

**"Substitute Member"** shall have the meaning set forth in Section 8.4.

**"Supermajority"** means Members holding more than seventy percent (70%) of Interests of the outstanding Interests entitled to be voted, which must include at least four (4) Members of the CGCN Advocacy Division.

**"Transfer"** means (i) when used as a verb, to give, sell, exchange, assign, transfer, pledge, hypothecate, bequeath, devise or otherwise dispose of or encumber, and (ii) when used as a noun, the nouns corresponding to such verbs, in either case voluntarily or involuntarily, by operation of law or otherwise.

**"Unanimous Agreement"** means the agreement, whether written or otherwise, of Members holding 100% of the Interests, unless otherwise specified in this Agreement.

### ARTICLE III

#### CAPITALIZATION OF THE COMPANY

3.1. **Initial Interests.** The Members of the Company and their respective initial Interests in the Company are set forth on Schedule A attached hereto, as it may be amended from time to time. If the Interest of any Member changes for any reason, such changes shall be reflected on an amended Schedule A and in the books and records of the Company. The Members of the Company are participants within their respective Divisions, and their relative percentage interests within their respective Divisions, used to determine how they share within their Divisions when sharing in relation to their Interests, are also set forth on Schedule A, which are also subject to amendment from time to time by agreement of the participating Members of each such Division.

**3.2. Capital Contributions.** No Member has made any Capital Contribution to the Company and Members shall not be required to make any Capital Contribution to the Company except as otherwise provided in an amendment to this Operating Agreement. Capital Contributions shall be designated as such by amendment to this Operating Agreement and in the records of the Company maintained at the Company's principal place of business.

**3.3. Benefit.** The provisions of this Article III are not intended to be for the benefit of any creditor or other person (other than a Member in his capacity as a Member) to whom any debts, liabilities or obligations are owed by (or who otherwise has any claim against) the Company or any of the Members; and no such creditor or other person shall obtain any right under any such provision against the Company or any of the Members by reason of any debt, liability or obligation, or otherwise.

**3.4. Capital Withdrawal Rights, Interest, and Priority.** Except as expressly provided in this Operating Agreement or by law, no Member shall be entitled to demand or receive the distribution or return of such Member's Capital Contribution, if any. No Member shall be entitled to receive or be credited with any interest on the Member's Capital Contributions, if any, at any time.

**3.5. Capital Accounts.** Each Member shall have a single Capital Account, regardless of the time or manner in which any portion of such Member's Interest was acquired. If a Member makes or permits a transfer of all or any portion of his Interest to another Person in accordance with Article VII of this Agreement, the Substitute Member shall succeed to the Capital Account of the transferor Member to the extent such Capital Account relates to the transferred Interest.

**3.6. No Distribution of Capital Account on Resignation or Withdrawal.** A Member who resigns or withdraws from the Company shall not be entitled upon resignation or withdrawal from the Company to any distribution or return of his Capital Account unless the other Members, in their sole and absolute discretion, agree by the affirmative vote of Members holding a Supermajority of Member Interests, excluding Interests which are held, directly by the resigning or withdrawing Member, or indirectly by a

limited liability company or corporation wholly owned and controlled by the resigning or withdrawing Member that such a distribution shall be made and determine the amount of such distribution.

## ARTICLE IV

### ALLOCATIONS

**4.1 Allocation of Profits and Losses.** Profits and Losses of the Company shall be accounted for collectively from all Business conducted by CGCN Advocacy Division and CGCN Strategic Communications Division, and shall also be booked separately by Division for the purpose of applying the provisions of this Article IV and Article V. Except as otherwise provided in Sections 4.2, 4.3, 4.4, 4.5 and 4.7, Profits and Losses of the Company or of a separate Division, as the context requires, shall be allocated to the Members in proportion to their respective Percentage Interests in the Company or within their separate Divisions as set forth on Schedule A, as amended.

**4.2 Allocation of Profits from New Clients Originated by a Member for His Division.** In the event a Member or Members introduce a client to the Company for services to be performed primarily by his Division (the "Originating Division") who has not previously done business with the Company (each such client a "New Client"). such Member or Members (hereafter an "Originating Member(s)") shall be allocated sixty-six percent (66%) of the income derived from the revenue collected from such New Client (such amount of revenue from a New Client to be known as "New Client Revenue") for the first 12 months of such New Client's engagement with the Company. The remaining thirty-four percent (34%) of income derived from such New Client Revenue during the first 12 months of such New Client's engagement with the Company shall be allocated, in the case of each Member of the CGCN Advocacy Division, in proportion to the percentage of such Member's Percentage Interest to the total Percentage Interests set forth in Schedule A of all Members of the Division who did not originate the New Client Revenue and, in the case of the CGCN Strategic Communications Division, to the other Member of the Division when there are two Members in the Division and to the other Members when there are more than two Members of the Division in such manner as the Division establishes from time to time for such allocations.

**4.3 Allocation of Profits from "Plus-Ups".** In the event that the amount of a monetary retainer held by the Company from an Existing Client is increased through effort of a Member or Members (hereafter a "**Plus Up Originating Member(s)**") during the term of this Operating Agreement, such Plus Up Originating Member(s) for such Existing Client shall be allocated sixty-six percent (66%) of the income derived from the revenue collected from such Existing Client that is not New Client Revenue in the amount by which such retainer has been increased (such increased amount of revenue to be known as a "**Plus Up**") during a period of 12 months following the date on which such Plus Up is instituted. The remaining thirty-four percent (34%) of income derived from the revenue collected from any such Plus Up collected during the period of 12 months following the date on which such Plus Up is instituted shall be allocated in the case of each Member of the CGCN Advocacy Division in proportion to the percentage of such Member's Percentage Interest to the total Percentage Interests set forth in **Schedule A** of all Members of such Division who did not originate the Plus Up and, in the case of the CGCN Strategic Communications Division, to the other Member of the Division when there are two Members of the Division and to the other Members when there are more than two Members of the Division in such manner as the Division establishes from time to time for such allocations.

**4.4 Allocation of Profits from New Clients Originated by one Division for the Other Division.** In the event Originating Member(s) introduce a New Client to the Company for services to be performed not by the Originating Division but by the other Division, twenty percent (20%) of the Net Revenue derived from such New Client during the first 12 months of such New Client's engagement with the Company shall be allocated to the Originating Division, and such Originating Member(s) shall be allocated sixty-six percent (66%) of the twenty percent (20%) of Net Revenue allocated to the Originating Division. The remaining thirty-four percent (34%) of such twenty percent (20%) of Net Revenue shall be allocated, in the event the CGCN Advocacy Division is the Originating Division, to each Member in proportion to the percentage of such Member's Percentage Interest to the total Percentage Interests set forth in **Schedule A** of all Members of the CGCN Advocacy Division who did not originate the New Client Revenue or, in the event the CGCN Strategic Communications Division is the Originating Division, to the other Member of the CGCN Strategic Communications Division when there are two Members of such Division, and to the

other Members of such Division when there are more than two Members of such Division in such manner as the Division establishes from time to time for such allocations. The remaining eighty percent (80%) of Net Revenue from such New Client for the first 12 months of such New Client's engagement with the Company shall be allocated to the other Division who performs the services to be further allocated, in the case of the CGCN Advocacy Division, to each Member of such Division in proportion to the percentage of such Member's Percentage Interest to the total Percentage Interests set forth in Schedule A of all Members of such Division or, in the case of the CGCN Strategic Communications Division, to the Members of such Division in such manner as the Division establishes from time to time for such allocations.

**4.5 Allocation of Profits from Existing Clients of One Division Introduced to the Other Division.** In the event one Division introduces an Existing Client of that Division to the other Division for services to be performed by the other Division, twenty percent (20%) of the Net Revenue derived from the revenue collected from such Existing Client for the first 12 months the other Division provides services to such Existing Client shall be allocated to the Division that introduced the Existing Client to the other Division, to be allocated, in the case of each Member of the CGCN Advocacy Division, in such proportion as the Members may agree in consultation with the Managing Member and, in the case of the CGCN Strategic Communications Division, in such manner as the Division establishes from time to time for allocation of Net Revenue. The remaining eighty percent (80%) of Net Revenue derived from the revenue collected from such Existing Client for the first 12 months shall be allocated to the other Division who performs the services to the Existing Client. Such 80% of Net Revenue shall be further allocated, in the case of each Member of the CGCN Advocacy Division, in such proportion as the Members may agree in consultation with the Managing Member and, in the case of the CGCN Strategic Communications Division, in such manner as the Division establishes from time to time for such allocations.

**4.6 Originating Member.** The decision as to which Member or Members (when there is more than one) constitute the Originating Member(s) for a particular New Client or the Plus Up Originating Member(s) for a Plus Up of a particular Existing Client

shall be made by the Members. In the event the Members agree that more than one Originating Member exists for a particular New Client, or more than one Plus Up Originating Member is responsible for the Plus Up of a particular Existing Client, the manner in which the revenue originating with that New Client or the Plus Up originating with that particular client, as the case may be, is to be allocated during the first 12 months following the date of such New Client's engagement or such Plus Up is instituted with the Company shall be agreed upon by the Originating Members and the Managing Member at the time of the start of such New Client's engagement with the Company, or by the Plus Up Originating Members and the Managing Member at the time the Plus Up is instituted, as the case may be.

**4.7 Lead Member and Ranking Member Allocations.** Each CGCN Advocacy Division client shall be assigned a Lead Member and may be assigned one or more Ranking Members. The Lead Member for each client may be one of the Originating Members or Plus Up Originating Members for such client or, in the case of an Existing Client, a Member selected by the Members in consultation with the Managing Member. One or more Originating Members or Plus Up Originating Members of a client may also serve as Ranking Member(s) for New Clients, Plus Ups or Existing Clients, as the case may be. Notwithstanding provisions for allocations or distributions under this Article IV or Article V, an Overriding Allocation/Distribution of (a) all revenue received by the CGCN Advocacy Division from an Existing Client after the first twelve (12) months of a New Client's engagement with the Company, and (b) all Net Revenue received the by CGCN Advocacy Division from a New Client or Existing Client after the introduction of such client by the CGCN Strategic Communications Division to the CGCN Advocacy Division, shall be deducted from such revenues prior to allocation of income or distribution of revenues to Members in accordance with this Article IV and Article V, respectively. The Overriding Allocation/Distribution shall be allocated and distributed to the Lead Member and the Ranking Member(s), if assigned, as determined by the Managing Member with advice from the Originating Member(s) or Plus Up Originating Member(s), if any. The full Overriding Allocation/Distribution may be allocated and distributed to the Lead Member, and the balance, if any, to the Ranking Member(s) as determined, as illustrated by example in Schedule C.

**4.8 Allocations of Losses Related to New Client Revenue and Plus Ups.**

Losses, if any, derived from generating New Client Revenue and Plus Ups shall be allocated to Members in the proportion that they receive distributions of New Client Revenue, Plus Ups and Net Revenue as provided in Article V. In the event the Company has no Losses related to the generation of New Client Revenue, Plus Ups or Net Revenue from a client, all Specified Expenses incurred by the Company specifically related to such New Client Revenue, Plus Ups or Net Revenue as determined by the Company's outside independent certified public accountant in his or her reasonable professional discretion shall be allocated to the Members in the proportion that they receive distributions of such New Client Revenue, Plus Ups and Net Revenue as provided in Article V.

**4.9 Calendar Year and Cash Basis Allocations of Profits, Losses and Expenses.** All allocations of Profits, Losses and related expenses shall be made on a December 31 calendar year basis, and on a cash basis, reflecting revenue received and expenses incurred in such calendar year.

**ARTICLE V**

**DISTRIBUTIONS AND EXPENSES**

**5.1 Monthly Financial Statements.** The books and financial records of the Company shall be maintained by a bookkeeper engaged by the Company for such purpose, to maintain such books and financial records consistently applying generally accepted accounting principles and using an electronic accounting system recommended by the Company's outside independent certified public accountant. The bookkeeper shall be required to provide the Managing Member an unaudited and unreviewed income statement and balance sheet for each calendar month (for each month, a "**Company Monthly Financial Statement**") within ten (10) calendar days following the calendar month most recently ended (each, a "**Fiscal Period**"), together with separate Division statements of income and expenses for the CGCN Advocacy Division and CGCN Strategic Communications Division containing as much as practicable breakdowns by individual Members of New Client Revenue, Plus Ups, and Specified Expenses related to the Members of each such Division.

**5.2 Distributions.** The Managing Member shall review the Company Monthly Financial Statement for each Fiscal Period, and the separate statements of income and expenses for each of the Divisions, as soon as practicable to determine the amount of Available Cash and the manner in which it should be distributed by Division and among Members within each Division. The Managing Member shall then distribute the Available Cash for such Fiscal Period to the Members no later than ten (10) calendar days after his receipt of the Company Monthly Financial Statement for such Fiscal Period in the manner as follows:

(a) To CGCN Advocacy Division Members in the following priority:

(i) sixty-six percent (66%) of the New Client Revenue originating with each New Client of the CGCN Advocacy Division during the first 12 months of such New Client's engagement with the Company which is collected in each Fiscal Period from such New Client shall be distributed to the Originating Member(s), if any (in the proportion agreed by the Originating Member(s) if there is more than one), and the remaining thirty-four percent (34%) of such New Client Revenue collected from any such New Client during the first 12 months of such New Client's engagement with the Company shall be distributed in proportion to the percentage of each CGCN Advocacy Division Member's Percentage Interest to the total CGCN Advocacy Division Percentage Interests set forth in **Schedule A** of all Members of the CGCN Advocacy Division who did not originate the New Client Revenue; subject to reduction by the amount of Expenses charged to the Members in accordance with the provisions of Section 5.3 below;

(ii) sixty-six percent (66%) of the revenue originating with each Plus Up of the CGCN Advocacy Division during a period of 12 months following the date on which such Plus Up is instituted which is collected in each Fiscal Period from such client shall be distributed to the Plus Up Originating Member(s), if any (in the proportion agreed by the Plus Up Originating Members if there is more than one), and the remaining thirty-four percent (34%) of such revenue collected from any such Plus Up during a period of 12 months following the date on which such Plus Up is instituted shall be distributed in proportion to the percentage of each CGCN Advocacy Division Member's Percentage Interest to total CGCN Advocacy Division Percentage Interests set forth in **Schedule A** of all the Members of the CGCN Advocacy Division who did not originate the Plus Up; subject to reduction by the

amount of Expenses charged to the Members in accordance with the provisions of Section 5.3 below; and

(iii) all revenue received by the CGCN Advocacy Division from an Existing Client after the first twelve (12) months of a New Client's engagement with the Company, and all Net Revenue received by the CGCN Advocacy Division from a New Client or Existing Client after the first twelve (12) months of the introduction of such client by the CGCN Strategic Communications Division to the CGCN Advocacy Division which is allocable to the CGCN Advocacy Division under Article IV and is collected in each Fiscal Period shall be distributed to the Members of the CGCN Advocacy Division in proportion to their respective Percentage Interests in such Division set forth on Schedule A; subject to reduction by the amount of Expenses charged to the Members in accordance with the provisions of Section 5.3 below; and

(b) To CGCN Strategic Communications Division Members. All income derived from the New Client Revenue, Plus Ups and Net Revenue allocated to the CGCN Strategic Communications Division Members under Article IV shall be distributed to Members of such Division in such manner as the Division establishes from time to time for such distributions; subject to reduction by the amount of Expenses charged to the Members in accordance with the provisions of Section 5.3 below; and

(c) next, to repay any loans made by Members to the Company, to be distributed among such Members *pari passu* in proportion to the respective loan balances and accrued interest owed to each such Member by the Company until all such loans are repaid in full; and

(d) next, to the Members in proportion to the respective balances of their Capital Accounts, if any, until each of the Capital Accounts has been reduced to zero; and

(e) finally, to Members in proportion to the respective Interests of the Members set forth on Schedule A, as amended, or as otherwise specified in this Operating Agreement.

**5.3 Deduction of Expenses.** All Company general overhead and Operating Expenses shall be borne by the Members and charged against and deducted from Member distributions under Section 5.2 above in the following manner:

(a) Specified Expenses shall be allocated to Members (i) for whose specific requirement and sole benefit such expenses were approved and expended, or (ii) for whose benefit such expenses are incurred by the Company, to the extent of sixty-six percent (66%), exclusively to support provision of services to a client from which New Client Revenue or Plus Ups are earned, or (iii) for whose benefit such expenses are incurred by the Company, to the extent of any applicable Overriding Allocation/Distribution, exclusively to support provision of services to a client from which the Overriding Allocation/Distribution is earned, or (iv) of a Division for costs and expenses which are intra-Divisional costs and expenses of such Division to be borne exclusively by such Division and designated by the Managing Member as specifically and solely in support of such Division, and shall be deducted from the amount of any distributions owed to such Members from time to time when distributed; and

(b) Common Expenses shall be allocated to Members in proportion to their respective Interests set forth on Schedule A, as amended, and shall be deducted from the amount of any distributions owed to Members from time to time when distributed.

**5.4 Reasonable Reserves.** The Managing Member shall establish, maintain and expend Reasonable Reserves to provide for Debt Service and ongoing Operating Expenses of the Company, and for such other purposes as in the exercise of his reasonable business judgment he may deem necessary or advisable or which may be approved by a Resolution.

**5.5 Restriction on Distributions.** No distribution shall be made which would result in liabilities of the Company exceeding the assets of the Company or which would require obtaining a loan from any source other than from Members.

**5.6 Member Override.** The Members holding a Supermajority, excluding Interests which are not held, directly by the Managing Member, or indirectly by a limited liability company or corporation wholly owned and controlled by the Managing Member, may, at any time within thirty (30) days after a determination by the Managing Member, override by Resolution such Managing Member's determination under this Article V the amount of Available Cash available for, and the manner of, distribution, and the amount of Reasonable Reserves.

## ARTICLE VI

### MANAGEMENT AND CONTROL

6.1 **Manager-Managed.** Except to the extent the Articles or this Agreement provides otherwise, all powers and authorities of the Company shall be exercised, and the Business and affairs of the Company shall be conducted and controlled, by and under the supervision of the Managing Member.

6.2 **Managing Member.** The initial Managing Member shall be Steve Clark.

6.3 **Term of Managing Member.** The initial Managing Member shall hold office until his successor(s) has been elected and qualified, or until the earlier of (i) his resignation from the position of Managing Member, (ii) his removal by the Members as set forth in Section 6.5 (iii) his expulsion from the Company by the Members as set forth in Section 6.10(b), (iv) his death or Disability, (v) his Bankruptcy; (vi) his employment with the Company is terminated, or (vii) the Managing Member ceases being a direct or indirect owner of an Interest. All references in this Agreement to the Managing Member shall mean all Persons serving as Managing Member as a group when there is more than one Managing Member, who shall take action by affirmative vote of the majority of all Managing Members reflected in a written resolution describing the action taken and the vote tally.

6.4 **Power and Authority of the Managing Member.**

(a) Except as otherwise expressly provided in the Articles or this Agreement, the Managing Member shall have the exclusive right, power and authority on behalf of the Company, and in its name, to exercise all of the rights, powers and authority of the Company under the Act. The Managing Member shall discharge his duties as Managing Member in accordance with the standards of conduct set forth in the Act. Except as set forth in Section 6.10(a) or as otherwise expressly provided in this Agreement, the Managing Member may approve and execute Contracts in the name and on behalf of the Company. Any action taken by the Managing Member in accordance with the requirements of this Article VI shall not be considered inconsistent with this Agreement if such action does not conflict with an express provision of this Agreement.

(b) The Members shall not be permitted or required to vote on, or otherwise participate in the approval or determination of, any action involving the Business and affairs of the Company other than the election, removal or replacement of the Managing Member as set forth below in this Article VI, and as provided in Section 6.10 and as otherwise expressly provided in this Agreement.

(c) Without limitation of the authority and powers hereinabove conferred upon the Managing Member, but subject to the provisions of Section 6.10 below and other limitations under this Agreement, the Managing Member is hereby authorized, empowered and directed to, and is hereby granted the specific right, power and authority to do, in the name of, and on behalf of, the Company all things that, in his sole judgment, are necessary, proper or desirable to carry out the Business of the Company, including but not limited to the right, power and authority, but not the obligation:

(i) to lease real estate and/or personal property and to cause to have constructed improvements upon any real estate necessary, convenient or incidental to the accomplishment of the purposes of the Company;

(ii) to borrow money on behalf of the Company and issue evidences of indebtedness in furtherance of any or all of the purposes of the Company, and to secure the repayment by security interest, pledge or other lien or encumbrance on Company properties or any other assets of the Company;

(iii) except as required under Section 6.10 below, to enter into any Contract or activity, and to cause the Company to perform and carry out Contracts of any kind, whatsoever necessary to, or in connection with, or incidental to the accomplishment of the purposes of the Company, so long as those activities and Contracts may be lawfully carried on or performed by the Company under applicable laws and regulations;

(iv) to procure and carry public liability, workmen's compensation, fire and casualty, extended coverage, business interruption, and errors and omissions insurance policies required by law and those deemed by the

Managing Member to be necessary and appropriate to protect the interests and property of the Company and the Members;

(v) to procure and carry life and other insurance as approved under Section 6.10(a) below, including without limitation insurance owned by the Company alone or co-owned by other parties, for any lawful purpose consistent with the interests of the Company;

(vi) to the extent funds of the Company are available therefor, to pay all taxes, assessments and other impositions applicable to the Company;

(vii) to the extent funds of the Company are available therefor, to pay all debts and other obligations of the Company, and to pay any interest, penalties, fees or other costs related to such debts or other obligations;

(viii) to engage attorneys, accountants, insurance agents, financial advisors, investment advisors and other professional consultants and advisors who are properly licensed and independent from the Company and the Managing Member, at reasonably competitive rates or remuneration, for the performance of any and all services which may at any time be deemed by the Managing Member to be necessary, proper, convenient or advisable to carry on the Business;

(ix) to generally do all things the Managing Member deems necessary to the efficient management of the Company which do not require the affirmative vote or consent of Members under Section 6.10 below; and

(x) to designate in writing one or more other Members with authority to exercise any of the foregoing powers or other management powers or authority under express terms.

**6.5 Removal and Resignation of a Managing Member.** The Managing Member may be removed at any time upon the vote of Members holding a Supermajority in Interest excluding Interests which are held, directly by the Managing Member or indirectly by a limited liability company or corporation wholly owned and controlled by the Managing Member. A Managing Member may resign from such position at any time upon giving thirty (30) days' prior written notice to the Members. Any vacancy created in a Managing Member position by removal, resignation or otherwise shall be filled by the vote of Members holding

a Supermajority. Any Managing Member elected to take the position of a Managing Member position vacated shall serve the unexpired term of his predecessor, or until the earlier of (i) his resignation from the position of Managing Member, (ii) his removal by the Members as set forth in this Section 6.5, (iii) his expulsion from the Company by the Members as set forth in Section 6.10(b), (iv) his death or Disability, (v) his Bankruptcy; (vi) his employment with the Company is terminated, or (vii) the Managing Member ceases being direct or indirect owner of an Interest. In the event at any time when there are no Managing Members serving the Members fail to elect a Managing Member, then the Company shall become and thereafter be a member-managed limited liability company until such time as a new Managing Member is elected by the affirmative vote of Members holding a Supermajority. In the event the Company becomes a member-managed limited liability company under the provisions of this Section 6.5, all references in this Agreement to the Managing Member shall mean the Members until such time as a Managing Member is appointed.

**6.6 Quorum and Voting.** Members holding a Majority in Interest constitute a quorum for the transaction of business.

**6.7 Annual Meetings of Members.** Annual meetings of Members, if held, shall be held on such date and time and at such place as shall be designated from time to time by the Members and stated in the notice of meeting, in which they shall transact such business as may properly be brought before the meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each Member entitled to vote at such meeting not fewer than ten (10) nor more than sixty (60) days before the date of the meeting. Attendance at a meeting by a Member shall constitute a waiver of notice of such meeting.

**6.8 Special Meetings.** Special meetings of Members, for any purpose or purposes, may be held by waiver of notice and consent or may be called by the Managing Member on his own initiative or through a request in writing from any Members holding a Majority of Interest. Such request shall state the purpose or purposes of the proposed meeting. Written notice of a special meeting stating a place, date and hour of the meeting and the purpose or purposes for which the meeting is called shall be given not fewer than three (3) nor more than ten (10) days before the date of the meeting, to each Member entitled to

vote at such meeting. Attendance at a special meeting by a Member shall constitute a waiver of notice of such meeting.

**6.9 Consent in Lieu of Meeting.** Unless otherwise specified in this Operating Agreement or by Resolution, whenever the vote of the Members at a meeting thereof is required or permitted to be taken for or in connection with any action, a vote of the Members may be dispensed with if all of the Members shall consent in writing to such action by Unanimous Agreement.

**6.10. Extraordinary Matters.**

**Matters Requiring Approval of Supermajority.** Notwithstanding any provision in this Agreement or any Resolution to the contrary, the written approval of the Managing Member and the affirmative vote or written consent of Members holding a Supermajority shall be necessary for the approval of the following matters:

- (a) establishing or changing compensation payable to the Managing Member for his services in such capacity in excess of reimbursement of the Managing Member's reasonable expenses;
- (b) entry into Contracts or other transactions with the Managing Member or any of his Affiliates to furnish labor, supervision or materials as a third-party contractor or supplier on any project performed by the Company;
- (c) paying (on behalf of the Company) any fees, expenses, commissions or other compensation to any Member or Affiliate thereof or other intercompany transactions between the Company and its Affiliates;
- (d) hiring or terminating any employee or contractor;
- (e) materially modifying or altering the compensation package for any key management employee or otherwise materially modifying the employment agreement of any key management employee;

- (f) adopting, approving, modifying and/or supplementing the annual operating budget and, if applicable, the annual capital budget of the Company; provided, however, that, in the event an annual operating budget cannot be agreed upon by the Members, the prior year's operating budget (adjusted for the applicable consumer price index) shall apply;
- (g) adopting, approving, modifying and/or supplementing the annual business plan of the Company
- (h) expending Company funds, or undertaking any obligations by or on behalf of the Company, where such expenditures incurred (or to be incurred) at any one time exceeds \$10,000.00, or in the aggregate during any calendar year exceeds \$50,000.00, and are not otherwise authorized under the applicable budget with respect to the line item attributable to such expenditure(s);
- (i) taking any loan or committing to any credit on behalf of the Company in excess of \$10,000 at one time or cumulatively in a calendar year;
- (j) forgiveness or compromise of any debt owed to the Company, other than by a Member, in excess of \$10,000.00;
- (k) establishing cash reserves on behalf of the Company which exceed the amount of Reasonable Reserves;
- (l) modifying, amending, extending or terminating any management agreement (or any successor management agreement);
- (m) selecting or changing the auditors of the Company;
- (n) commencing, settling or otherwise initiating or disposing of an action or other legal proceeding;

- (o) changing the fiscal year or method of accounting of the Company;
- (p) opening a new office;
- (q) effecting a material change in the Business, including, without limitation, offering a new service line of the Business which is not offered at the date of this Agreement;
- (r) purchasing life insurance on the life of any Member or liability insurance for the Managing Member as the insured to insure against liability related to his conduct as Managing Member;
- (s) causing the Company to file an election under Code section 754 to provide for an optional adjustment to the basis of the Company's assets;
- (t) employment of a family member for permanent employment;
- (u) an amendment for the establishment or authorization of any class of Interest not previously established or authorized under the provisions of this Agreement, including the determination of any designation therefor and the determination of the rights of such new class to share in the capital, equity/capital appreciation and/or profits of the Company, or any combination of or any one of the foregoing, and the voting rights (if any), tax allocations, rights to distributions, rights upon dissolution or liquidation, preferences, limitations and other terms, conditions and other relative rights or restrictions applicable to such new class of Interests;
- (v) the Transfer of a Member's Interest to any Person;
- (w) a determination that any distribution or return of Capital Account is to be made to a resigning or withdrawing Member, and the amount of such distribution;

- (x) the admission of a Substitute Member or an Additional Member and the terms and conditions of such Substitute Member's or Additional Member's Subscription Agreement;
- (y) an amendment to and replacement of Schedule A for modification and reallocation of the relative Interests of Members to reflect admission of Substitute Members and Additional Members, or to reflect relative contribution to the Company which the Members agree warrants reallocation of Interests;
- (z) the expulsion of a Member (subject to the requirements of Section 6.11);
- (aa) forgiveness or compromise of any debt owed to the Company, by a Member;
- (bb) the merger of the Company with one or more domestic or foreign limited liability companies, limited partnerships, registered limited liability partnerships, business trusts or corporations under the applicable provisions of the Act;
- (cc) the sale or other disposition of all or substantially all of the assets of the Company other than in the ordinary course of business;
- (dd) any act which would make it impossible to carry on the Business of the Company, except as otherwise provided in this Agreement or by Resolution;
- (ee) make a general assignment of the Company's assets for the benefit of creditors;
- (ff) confess a judgment against the Company, seek appointment of a conservator for the Company, voluntarily seek protection for the Company under state insolvency or federal bankruptcy law; or
- (gg) make any amendment or restatement of this Agreement or the Articles of the Company.

**6.11 Expulsion.** A Member's Interest may be terminated either by judicial order upon application of the Company under DC Code § 29-806.02(5), or upon approval by the Managing Member and the affirmative vote of Members holding a Supermajority of Member Interests as set forth in this Section 6.11. Except as otherwise provided by Resolution, any Member may be expelled from the Company, and the entire Interest of such expelled Member shall thereupon be cancelled and surrendered, upon approval by the Managing Member if he or she is not being expelled and the affirmative vote of Members holding a Supermajority of the Member Interests which are not held, directly by the Member, or indirectly by a limited liability company or corporation wholly owned and controlled by such Member being expelled, in the event such Member engages in conduct described in DC Code § 29-806.02(4), (5), or (6)(B)(ii), or which is otherwise unlawful or dishonest and is deemed by the Company to detrimentally impact the Company, its Business and/or its clients. In the event a Member disputes a determination by the Company that he or she should be expelled, then within thirty (30) days following receipt of written notice from the Managing Member or Members holding a Majority in Interest notifying such Member of the determination and specifying the basis upon which such determination was made, such Member may dispute such determination under the provisions of Section 11.4. In full satisfaction and retirement of the expelled Member's Interest, the Company shall pay to the expelled Member One Dollar (\$1.00). The fact that any other right or remedy of the Company is provided by applicable law or by this Agreement in respect of any conduct by a Member shall not preclude the Company's enforcement of the remedy of expulsion set forth in this Section 6.11 (unless such remedy is prohibited or restricted under the provisions of an applicable Resolution).

## ARTICLE VII

### LIABILITY AND INDEMNIFICATION

#### **7.1 Liability of Members.**

Except as provided in Section 7.2 below, no Member shall be liable for any obligations of the Company. Other than may be required by an amendment of this Operating Agreement or by Resolution, no Member shall be required to make any Capital Contribution

or lend any funds to the Company. No distribution of cash or other assets made to any Member shall be determined a return or withdrawal of a Capital Contribution, and no Member shall be obligated to pay any such amount to or for the account of the Company or any creditor of the Company. Except as otherwise provided herein, no Member with a negative balance in such Member's Capital Account shall have any obligation to the Company or any other Member to restore said negative balance to zero.

The Members understand, acknowledge and agree that the liability under all Contracts and agreements entered into by the Company for the benefit of the Company, including, but not limited to, that certain Agreement of Sublease by and between Lazard Frères & Co., LLC and the Company dated October 30, 2013, shall be borne solely by the Company and that no Member shall have any additional personal liability whatsoever related to such Contracts and agreements, outside of the liabilities of the Company imposed by applicable law.

## **7.2 Loan Guaranties.**

(a) The Members contemplate that the Company may find it necessary in the future to borrow from financial institutions when needed to fund unusual needs of the Company for which there is insufficient capital on hand and the Members do not wish to amend the Operating Agreement to permit a capital call.

(b) The Members expect that a financial institution lending funds to the Company may require the personal guaranties of some or all Members.

(c) The Members are unwilling to enter into the personal guaranties of Company financial obligations absent an agreement among them that all obligations and liabilities associated with loans from financial institutions are to be borne proportionately by all Members who consented to such loans.

(d) In the event the Company borrows from a financial institution which recovers repayment from fewer than all Members who consented to and guaranteed the borrowing, each such Member of the Company shall be obligated to contribute his or her proportionate share of such repayment.

(e) In the event a financial institution (the "Lender") requires in connection with an extension of credit to the Company, approved by the Members in

accordance with Section 6.10(i), that one or more Members must guarantee repayment (collectively, "Guaranties" and, individually, a "Guaranty") of any loan or other financial obligation to repay such credit (collectively, the "Loan Obligation") and if the Lender recovers payment from fewer than all of such Members (collectively, the "Paying Guarantors"; and, individually, a "Paying Guarantor"), then each Member of the Company who consented to and guaranteed the Loan Obligation (the "Contributing Guarantors" and, individually, a "Contributing Guarantor") shall be obligated to pay his or her proportionate share of the Loan Obligation or contribute proportionately to the Paying Guarantors his or her proportionate share of the full amounts which are repaid to the Lender by the Paying Guarantors.

(f) If any Paying Guarantor from time to time makes a good faith payment in connection with his or her Guaranty in excess of his or her proportionate CGCN Percentage Interest of the Contributing Members (his or her "Contributive Share" and, collectively, "Contributive Shares") for which he or she has not been reimbursed in full by the Company or Contributing Guarantors (such unreimbursed amount, a "Payment"), each of the Contributing Guarantors will have an unconditional obligation to pay to the Paying Guarantor an amount (if any) (the "Required Contribution Amount") so that, after payment of the Required Contribution Amount by each Contributing Guarantor, all obligations and liabilities under the Guaranties will have been borne by Contributing Guarantors in proportion to their Contributive Shares (taking into account any and all prior Payments and Required Contribution Amounts, with the exception of "Non-Reimbursable Amounts"). "Non-Reimbursable Amounts" are Payments that arise out of any of the following, for which such Contributing Guarantors shall be solely responsible: (a) the gross negligence, willful misconduct or bad faith of such Contributing Guarantor; (b) a breach by such Contributing Guarantor of any Loan Obligation document provision specifically applicable to such Guarantor (such as, without limitation, a violation of any transfer restriction applicable to such Contributing Guarantor); or (c) any unreasonable defense to payment under such Contributing Guarantor's Guaranty asserted by such Guarantor, which defense is asserted without the consent or participation of the other Contributing Guarantors.

(g) Each Contributing Guarantor will pay each Required Contribution Amount, if any, to the Paying Guarantor within 10 days after receipt of a written demand therefor (a "Contribution Demand Notice") from the Paying Guarantor. In addition, to the extent the liability of the Contributing Guarantor to the Lender under the Contributing Guarantor's Guaranty has not been fully satisfied, the Contributing Guarantor may promptly pay any remaining amount of such liability to the Lender and the Contributing Guarantors' final Required Contribution Amounts will be determined taking such Payment into account.

(h) If any Paying Guarantor is at any time reimbursed by the Company in whole or in part for any Payment as to which such Paying Guarantor has collected a Required Contribution Amount from any other Contributing Guarantor, such other Contributing Guarantor shall be entitled to recover from the Paying Guarantor such amount as is necessary in order that each Contributing Guarantor has borne a share of the total net Payments in accordance with the Contributive Shares set forth in subsection 7.2(f) above.

(i) When, because of insolvency, lack of personal jurisdiction, or other reasonable circumstances, the contribution obtained from a Contributing Guarantor (the "Unavailable Guarantor") after reasonable collection efforts is less than the Unavailable Guarantor's full contribution required under this Section 7.2, the Contributive Shares of the other Contributing Guarantors as among themselves will be recalculated as though the Contributive Share of the Unavailable Guarantor were limited to the amount of contribution actually collected from the Unavailable Guarantor and the Contributive Shares of the other Contributing Guarantors will be adjusted upward pro rata in accordance with their original Contributive Shares as set forth above in Section 7.2(f). Notwithstanding the foregoing, nothing contained in this subsection 7.2(i) will relieve any Unavailable Guarantor from such Unavailable Guarantor's full obligations and liabilities hereunder.

(j) All Required Contribution Amounts owing hereunder to Paying Guarantors will bear interest from the date accrued (by Payment by a Paying Guarantor in connection with such Contributing Guarantor's Guaranty) until fully paid by such Contributing Guarantor to such Paying Guarantor (and without regard to the date any

Contribution Demand Notice is given so long as the giving of such notice is not unreasonably delayed to the material prejudice of the recipient) at a rate equal to the lesser of six percent (6%) per annum or the highest rate permitted by applicable law.

(k) Each Contributing Guarantor specifically acknowledges that such Contributing Guarantor is obligated to pay such Contributing Guarantor's Required Contribution Amount with respect to each Payment, as an absolute, unconditional and irrevocable obligation, as primary obligor and not as a surety, and regardless of whether:

(i) such Contributing Guarantor's own Guaranty or any other Loan Obligation document is unexecuted, undelivered, released, terminated, invalid, unenforceable or ineffective for any reason or payment thereunder is subject to any defense, setoff, recoupment, claim, counterclaim or similar limitation; or

(ii) the Payment is paid (A) pursuant to order of a court or arbitration panel, (B) in settlement of a disputed claim, (C) under an agreement with the Lender or any other Contributing Guarantor settling or establishing the amount thereof, or (D) in any other manner in good faith; or

(iii) any Contributing Guarantor has received an assignment of the Loan Obligation, the Loan Obligation documents, or any interest in either thereof, from the Lender, provided that, if any Contributing Guarantor (a "Purchasing Guarantor") receives an assignment of the Loan Obligation documents in return for a payment (the "Purchase Price") of less than the full amount owing under the Loan Obligation documents, the Purchasing Guarantor will not be entitled to recover more by enforcing the Loan Obligation documents than the Purchasing Guarantor would have been able to recover had the Purchasing Guarantor made a Payment under his or her Guaranty in an amount equal to the Purchase Price in full settlement of the Loan Obligation and without receiving an assignment of the Loan Obligation documents.

(l) Each of the Members may be required by the Company to execute such further agreements, instruments and assurances in form and substance reasonably satisfactory to the Managing Member, and containing commercially usual and appropriate provisions embodying such Member's guaranty obligations in accordance with this Section 7.2, including without limitation provisions regarding settlement and defense of guaranty obligations, revocation and amendment of guaranty, waiver of guaranty and payment of the Company's and/or Paying Guarantors' legal expenses.

(m) Failure of any Contributing Guarantor to fully meet his or her obligations under this Section 7.2 shall constitute a material breach of this Agreement by such Contributing Guarantor.

**7.3 Indemnification.** The Managing Member and his Affiliates and their respective stockholders, directors, officers, partners, agents, employees, heirs and personal representatives (individually, an "Indemnitee") shall be indemnified and held harmless by the Company from and against any and all losses, claims, damages, liabilities, expenses (including legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Indemnitee may be involved, or threatened to be involved, as a party or otherwise by reason of the fact that such Person is or was a Managing Member or an Affiliate thereof or a stockholder, director, officer, agent, partner or employee thereof, which relates to or arises out of the Company, its assets, business or affairs, if in each of the foregoing cases (i) the Indemnitee acted in good faith and in a manner such Indemnitee believed to be in, or not opposed to, the best interests of the Company, and, with respect to any criminal proceeding, had no reasonable cause to believe such Indemnitee's conduct was unlawful; and (ii) the Indemnitee's conduct did not constitute gross negligence or willful or wanton misconduct. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the Indemnitee acted in a manner contrary to that specified in (i) or (ii) above. Any indemnification pursuant to this Article VII shall be made only out of the assets of the Company and no Managing Member or Member shall have any personal liability on account thereof.

**7.4 Indemnitee Expenses.** Expenses (including reasonable legal fees) incurred by an Indemnitee in defending or investigating any actual or threatened claim, demand, action, suit or proceeding described in Section 7.3 shall, from time to time, be advanced by the Company, but only from Reasonable Reserves or other available cash which is not subject to distribution under the provisions of Article V, prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of an undertaking by or on behalf of the Indemnitee to repay such amount if it shall be determined that the Indemnitee is not entitled to be indemnified as authorized in this Article VII. Any advance in accordance with this Section 7.4 shall be a Common Expense.

**7.4 Non-Exclusivity.** The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall not be exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under Section 29-804.08 of the Act, the Articles, this Operating Agreement, any other agreement, a Resolution, a policy of insurance, or otherwise, and shall not limit in any way any right that the Company may have to make additional indemnification with respect to the same or different persons or classes of persons. The indemnification and advancement of expenses provided by, or granted pursuant to, this Article VII shall continue as to a Person who has ceased to be Managing Member and shall inure to the benefit of the heirs, executors, administrators, successors and assigns of such a Person.

**7.5 Insurance.** Upon approval pursuant to Section 6.10(r), the Company may purchase and maintain insurance on behalf of the Managing Member against any liability asserted against him and incurred by him in such capacity, or arising out of his status as Managing Member, whether or not the Company would have the power to indemnify him against such liability under this Article VII.

**7.6 Reliance by Managing Member.** In discharging his duties, any Managing Member, when acting in good faith, may rely upon information, opinions, reports, or statements, including financial statements and other financial data, in each case prepared or presented by (a) one or more officers or employees of the Company whom the Managing Member reasonably believes to be reliable and competent in the matters presented, (b) counsel, independent certified public accountants, independent professional bookkeepers or

other Persons as to matters that the Managing Member believes to be within that person's professional or expert competence, or (c) a committee of Members upon which the Managing Member does not serve, duly designated by the Members, as to matters within its designated authority, if the Managing Member reasonably believes that the committee is competent.

## ARTICLE VIII

### TRANSFERS OF INTERESTS

**8.1 General Restrictions.** No Member may Transfer all or any part of such Member's Interest, except with prior approval pursuant to Section 6.10(v) and subject to the rights of the Company and the Members pursuant to Section 8.7. Any purported Transfer of an Interest in violation of the terms of this Operating Agreement shall be null and void and of no effect. A permitted Transfer shall be effective as of the date specified in the instruments relating thereto. Any transferee desiring to make a further Transfer shall become subject to all the provisions of this Article VIII to the same extent and in the same manner as any Member desiring to make any Transfer.

**8.2 Further Limitation.** It is expressly understood and agreed that no Transfer of any Interest (or any part thereof) shall be permitted under any circumstances whatsoever by any Member if the Transfer would, or could, cause a termination of the Company for federal income tax purposes or would, or could, otherwise have any adverse federal income tax or federal or state securities law consequences with respect to the Company.

**8.3 Permitted Transfers.** In connection with each Transfer permitted pursuant to this Article VIII, each Member shall have the right to Transfer (but not to substitute the assignee as a Substitute Member in such Member's place, except in accordance with Section 8.4 below), by a written instrument, all or any part of such Member's interest.

**8.4 Substitute Members.** No permitted assignee or transferee of all or part of a Member's Interest in connection with a Transfer approved pursuant to Section 8.1 shall become a Substitute Member in place of the transferor unless and until:

(a) the Managing Member and non-transferring Members approve the Transfer of the transferor's rights as a Member in the Company to the transferee pursuant to Section 6.10(v);

(b) the transferor (if living) has stated such intention in the instrument of assignment;

(c) the transferee has executed a Subscription Agreement accepting and adopting the terms and provisions of the Articles and this Operating Agreement; and

(d) The transferee has caused to be paid all reasonable expenses of the Company in connection with the admission of the transferee as a Substitute Member.

Upon satisfaction of all the foregoing conditions with respect to a particular transferee, the Managing Member shall cause the records of the Company and **Schedule A**, as amended, of this Operating Agreement to be duly amended to reflect the admission of the transferee as a Substitute Member. Unless and until admitted as a Substitute Member, a permitted transferee of a Member's Interest shall only be entitled to receive, to the extent of the Interest transferred to such transferee, the economic interest of the transferor.

**8.5 Effect of Admission of a Substitute Member.** Upon admission of a transferee as a Substitute Member pursuant to Section 8.4, a transferee who has become a Substitute Member has, to the extent of the Interest transferred to such Substitute Member, all the rights and powers of the Person for whom such Substitute Member is substituted and such Substitute Member shall be subject to the restrictions and liabilities of a Member under this Article VIII and otherwise under this Operating Agreement and the Act. Upon admission of a transferee as a Substitute Member, the transferor of the Interest so acquired by the Substitute Member shall cease to be a Member of the Company to the extent of such Interest transferred. A Person shall cease to be a Member upon assignment of all of such Member's Interest, regardless of whether the transferee becomes a Substitute Member.

**8.6 Additional Members.** Any Person acceptable to the Members who is not a Member or Substitute Member may become an Additional Member of the Company for such consideration, and on such terms and conditions, as the Managing Member and Members shall determine and approve pursuant to Section 6.10(x), provided that such Additional Member complies with all the requirements of a transferee under Section 8.4

above (except for Subsection 8.4(d)). No Additional Member shall be entitled to any retroactive allocation of Net Income, Net Losses or expense deductions incurred by the Company.

**8.7 Effect of Withdrawal or Resignation on Membership Interest.**

(a) Except as provided in Subsections 8.7(d) and (e), in the event any Member should withdraw, resign, retire, die or suffer Disability or Bankruptcy (a "Redemption Event") during the Term of this Operating Agreement, such Member's Interest shall automatically be redeemed by the Company without any obligation to pay or compensate such Member in any manner for such Interest and shall immediately vest wholly and solely in the remaining Members in proportion to their respective CGCN Membership Interests as set forth on Schedule A, as amended, at the time of the Redemption Event.

(b) Except as provided in Subsection 8.7(d) and (e), and notwithstanding Subsection 8.7(a) or any other provision elsewhere in this Agreement to the contrary, in the event of Clark's withdrawal, expulsion, resignation, retirement, death, Disability or Bankruptcy, one-hundred percent (100%) of Clark's Interest shall transfer wholly and solely to Geduldig without the requirement of further approval or other action by the Managing Member or the Members.

(c) Notwithstanding the provisions of Subsections 8.7(a) and (b), upon a Redemption Event and following negotiation with the transferor Member and the affirmative vote of, and approval by, a Supermajority of Members other than the transferor Member, the Company may agree to pay the transferor Member for purchase by the Company all or a portion of such transferor Member's "book of business" for a Fair Market Value upon terms and conditions agreed to by the transferor Member and the Company following good faith negotiation and receipt by the Company from the transferor Member of a Non-Compete in form and substance satisfactory to the Company. **No decision or action to pay or compensate a transferor Member for his or her "book of business" upon such Member's Redemption Event shall evidence or constitute intent of the Members or create an obligation upon the Company to pay any amount to or compensate any other Member for his or her "book of business" upon a later Redemption Event, and all Members by joining in this Agreement hereby waive any claim to payment or**

compensation for their Interest or any other payment or compensation of any nature whatsoever upon such Member's Redemption Event other than compensation earned by such Member in accordance with Section 5.2 which has not been distributed prior to such Member's separation from the Company.

## ARTICLE IX

### DISSOLUTION AND TERMINATION

9.1 Events Causing Dissolution. The Company shall be dissolved upon the first to occur of the following events:

- (a) the Unanimous Agreement of the Members to dissolve;
- (b) except as otherwise agreed upon in this Operating Agreement, as amended, any other event causing a dissolution of the Company under the provisions of the Act.

9.2 Liquidation. In the event of dissolution of the Company, then the Managing Member shall proceed with dispatch and without any unnecessary delay to sell or otherwise liquidate the Company's assets and, after paying or duly providing for all liabilities to creditors of the Company, to distribute the net proceeds of sale and any other liquid assets of the Company among the Members in the manner set forth in Section 9.3.

9.3 Cash Distributions Upon Dissolution.

(a) Upon the dissolution of the Company as a result of the occurrence of any of the events set forth in Section 9.1, the Managing Member shall proceed to liquidate the Company and the liquidation proceeds shall be applied and distributed in the following order of priority:

- (i) First, to the payment of debts and liabilities of the Company in the order of priority as required by law (other than any loans or advances that may have been made by any of the Members to the Company) and the expenses of liquidation.

(ii) Second, to the establishment of any Reasonable Reserve that the Managing Member may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company during liquidation. Such Reasonable Reserve may be paid over by the Managing Member to any attorney at law, or other party acceptable to Members holding a Majority in Interest, as escrow agent to be held for disbursement in payment of any of the aforementioned liabilities and, at the expiration of such period as shall be deemed advisable by the Managing Member, for distribution of the balance, in the manner provided in this Article IX.

(iii) Third, to the repayment in full of any loans or advances other than Capital Contributions that may have been made to the Company by the Members to the Company, reduced for each Member by the amount of debts or obligations of the Member owed to the Company, but if the amount available for such repayment shall be insufficient, then *pari passu* on account thereof.

(iv) Fourth, *pro rata* to the Members, in accordance with their respective percentage Interests set forth in Schedule A, as amended, or as otherwise specified in this Operating Agreement, as amended, or by Unanimous Agreement of the Members.

## ARTICLE X

### ACCOUNTING AND BANK ACCOUNTS

**10.1 Fiscal Year and Accounting Method.** The fiscal year and taxable year of the Company shall be a December 31 calendar year, except as otherwise approved pursuant to Section 6.10(a). The accounting method of the Company shall be the cash method of accounting, except as otherwise approved pursuant to Section 6.10(a).

**10.2 Books and Records.**

The books and records of the Company shall be maintained at the principal office of the Company or otherwise at a location to be determined by the Managing Member.

Each Member (or such Member's designated representative) shall have the right during ordinary business hours and upon reasonable notice to the Managing Member to inspect and copy (at such Member's expense) any books and records of the Company.

**10.3 Year-End Financial Reports.** As soon as reasonably practicable after the end of each fiscal year of the Company, the Managing Member shall cause to be prepared and delivered to each Member all financial information with respect to the Company necessary for preparation of the Members' federal and state income tax returns.

**10.4 Tax Returns, Elections, and Tax Matters Member.** The Managing Member shall cause to be prepared and timely filed all federal, state and local income tax returns or other returns or statements required by applicable law. The Company shall claim all permissible deductions and make such elections for federal or state income tax purposes which the Managing Member reasonably determines in his judgment to produce the most favorable tax results for the Company and its Members.

**10.5 Certain Tax Elections.** If there is a distribution of any of the Company's assets as described in Code section 734, or if there is a transfer of an interest as described in Code section 743, then, upon the request of any Member, the Managing Member with the approval of a Supermajority shall cause the Company to file an election under Code section 754 to provide for an optional adjustment to the basis of the Company's assets.

**10.6 Bank Accounts.** All funds of the Company shall be deposited in one or more separate checking, money market or similar account(s) in the Company's name in such financial institutions approved by the Managing Member with approval of the Members holding a Majority in Interest. Withdrawals and payments therefrom shall be made only by the Managing Member and such other Persons authorized to do so by Members holding a Majority in Interest.

**ARTICLE XI**  
**MISCELLANEOUS**

**11.1 Independent Contractors.** The Members agree that the Company may enter into agreements with third-party independent contractors from time to time as approved by the Managing Member.

**11.2 Title to Assets.** Title to the Property and all other assets acquired by the Company shall be held in the name of the Company. No Member shall individually have any ownership interest or rights in the Property or any other assets of the Company, except indirectly by virtue of such Member's ownership of an Interest. No Member shall have any right to seek or obtain a partition of the Property or other assets of the Company, nor shall any Member have the right to any specific assets of the Company upon the liquidation of or any distribution from the Company.

**11.3 Nature of Interest in the Company.** A Member's Interest shall be personal property for all purposes.

**11.4 Deadlock and Dispute.**

(a) **Deadlock.** Notwithstanding anything to the contrary contained herein, in the event of a dispute or deadlock among the Members which they are unable to resolve themselves after using their best efforts to do so within thirty (30) days after written notice from one Member to one or more other Members citing such dispute or deadlock, such dispute or deadlock shall be resolved in accordance with the provisions of subsection 11.4(b) below:

(b) **Mediation and Arbitration.** All disputes and controversies between or among any one or more of the Members, the Managing Member and/or the Company arising out of or in connection with this Agreement or the operation of the Company, except for temporary restraining orders or injunctive relief sought, that cannot first be resolved by direct communication shall be submitted to mediation invoked by any Member in writing to the other interested Members and to the Company and, if mediation does not resolve any such dispute or controversy, it shall be submitted to binding arbitration as the sole remedy

pursuant to the following procedure. Any party may, by written notice to the others within thirty (30) days after the controversy has arisen hereunder, appoint an arbitrator who shall be either an attorney or an accountant. If the parties cannot agree to such arbitrator or another arbitrator within fifteen (15) days after written notice of the appointment of the arbitrator is received by the other party or parties, the first party shall apply to the Superior Court of the District of Columbia to appoint a second arbitrator pursuant to the provisions of the District of Columbia Revised Uniform Arbitration Act, Title 16, Chapter 44 of the District of Columbia Code (the "DC Code"). When two arbitrators have been appointed as hereinabove provided, they shall agree on a third arbitrator and shall appoint him by written notice signed by both of them and a copy mailed to each party hereto within fifteen (15) days after such appointment. Upon his appointment, the third arbitrator shall hold an arbitration hearing in the District of Columbia within thirty (30) days after such appointment. The arbitration shall be subject to the provisions of the DC Code, as it may be in effect at the time of the arbitration. The arbitrator shall permit prior to the hearing by each of the parties limited discovery on a schedule as determined by the arbitrator in his or her sole discretion to be appropriate for the matter being arbitrated; provided that each party shall be entitled to no more than two sets of interrogatories, production of documents and admissions served by each party upon the other parties, and to a reasonable number of depositions as permitted by the arbitrator in his sole discretion. At the hearing the arbitrator shall allow each party to present his case, evidence, and witnesses, if any, in the presence of the other parties, and shall render a written judgment and his award, if any, including a provision for payment of costs and expenses of arbitration to be paid by one or more of the parties, as the arbitrator deems just in his sole discretion. The decision of the arbitrator shall be binding on the parties (although each party shall retain his right to appeal any questions of law arising at the hearing, provided such party posts a bond in the amount equal to 125% of the arbitrator's award with the appellate tribunal), and judgment may be entered thereon in any court having jurisdiction

**11.5 Waiver of Default.** No consent or waiver, express or implied, by the Company, the Managing Member or a Member with respect to any breach or default by the Managing Member or another Member hereunder shall be deemed or construed to be a consent or waiver with respect to any other breach or default by such Managing Member or

Member of the same provision or any other provision of this Operating Agreement. Failure on the part of the Company, the Managing Member or a Member to complain of any act or failure to act of the or another Member or to declare such Managing Member or other Member in default shall not be deemed or constitute a waiver by the Company, the Managing Member or any other Member of any rights hereunder.

**11.6 Amendment.** This Operating Agreement may be amended at any time pursuant to Section 6.10(b).

**11.7 No Third Party Rights.** None of the provisions contained in this Operating Agreement shall be for the benefit of or enforceable by any third parties, including creditors of the Company. The parties to this Operating Agreement expressly retain any and all rights to amend this Operating Agreement as herein provided, notwithstanding any interest in the Operating Agreement or in any party to this Operating Agreement held by any other Person.

**11.8 Severability.** In the event any provision of this Operating Agreement is held to be illegal, invalid or unenforceable to any extent, the legality, validity and enforceability of the remainder of this Operating Agreement shall not be affected thereby and shall remain in full force and effect and shall be enforced to the greatest extent permitted by law.

**11.9 Binding Agreement.** Subject to the restrictions on the disposition of Interests herein contained, the provisions of this Operating Agreement shall be binding upon, and inure to the benefit of, the parties hereto and their respective heirs, personal representatives, successors and permitted assigns.

**11.10 Headings.** The headings of the Articles and sections of this Operating Agreement are for convenience of reference only and shall not be considered in construing or interpreting any of the terms or provisions hereof.

**11.11 Interpretation.** Except as otherwise provided herein, to the extent provisions or terms of this Operating Agreement are subject to varying interpretations or constructions, the parties intend that such provisions and terms be interpreted consistent and in accordance with any similar provisions and terms set forth in the Act and successor laws.

**11.12 Governing Law.** This Operating Agreement shall be construed according to and governed by the laws of the District of Columbia, but without regard to District of Columbia choice of law rules.

**11.13 Counterparts.** This Operating Agreement may be executed in one or more counterparts, all of which shall constitute but one and the same Operating Agreement.

**IN WITNESS WHEREOF,** the Members have caused this Operating Agreement to be duly executed as of the date first written above.

Steve Clark, Member *5/18/17*

Jay Cranford, Member *5/18/17*

Samuel Geduldig, Member *5/18/17*

Ed Mullen, Member *5/18/17*

Mike Nielsen, Member *5/18/17*

Patrick O'Connor, Member

Doug Schwartz, Member

Ken Spair, Member

John Stipicevic, Member

Juliane Sullivan, Member

**REDACTED**

**EXHIBIT 1**

**FORM OF SUBSCRIPTION AGREEMENT**

**SUBSCRIPTION AGREEMENT**

Reference is hereby made to the **CGCN GROUP LLC OPERATING AGREEMENT (Amended and Restated February 18, 2017)** as amended from time to time (the "**LLC Agreement**"), among [EXISTING MEMBERS] and CGCN Group LLC, a limited liability company organized and operating under the laws of Washington, District of Columbia (the "**Company**"). Pursuant to and in accordance with Section 6.10(x) of the LLC Agreement, the undersigned hereby acknowledges that it has received and reviewed a complete copy of the LLC Agreement and agrees that upon execution of this Joinder, such Person shall become a party to the LLC Agreement and shall be fully bound by, and subject to, all of the covenants, terms and conditions of the LLC Agreement as though an original party thereto and shall be deemed, and is hereby admitted as, a Member for all purposes thereof and entitled to all the rights incidental thereto.

Capitalized terms used herein without definition shall have the meanings ascribed thereto in the LLC Agreement.

**IN WITNESS WHEREOF**, the parties hereto have executed this Agreement as of [DATE].

[NEW MEMBER]

By \_\_\_\_\_

Name:

Title: