

LIMITED LIABILITY COMPANY INTERESTS IN PASCHALS RESTAURANTS, LLC HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR ANY APPLICABLE STATE SECURITIES LAWS AND HAVE BEEN SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF SUCH ACTS, INCLUDING PARAGRAPH (13) OF CODE SECTION 10-5-9 OF THE GEORGIA SECURITIES ACT OF 1973, AND SECTION 4(2) OF THE SECURITIES ACT AND MAY NOT BE SOLD OR TRANSFERRED EXCEPT IN A TRANSACTION WHICH IS EXEMPT UNDER SUCH ACTS OR PURSUANT TO AN EFFECTIVE REGISTRATION UNDER SUCH ACTS.

OPERATING AGREEMENT

FOR

PASCHALS RESTAURANTS, LLC

THIS OPERATING AGREEMENT is made and entered into as of the 3rd day of August, 2001, by and among each of the Persons executing this Agreement, and each Person who shall hereafter be admitted as a member to Paschals Restaurants, LLC, a Georgia limited liability company (the "Company") (each such Person shall hereinafter be referred to individually as "Member," and collectively as "Members").

WITNESSETH:

WHEREAS, the Members have created a Georgia limited liability company;

WHEREAS, the Members and future members desire to have no liability to third parties to the fullest extent provided under the Georgia Limited Liability Company Act;

WHEREAS, the Members desire that the Company be taxed as a partnership under the Internal Revenue Code of 1986, as amended;

WHEREAS, the Members desire to set forth guidelines regarding the operations of the Company and certain other matters;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I DEFINITIONS

1.1 Definitions. For purposes of this Agreement, the following capitalized terms shall have the following respective meanings:

"Act" means the Georgia Limited Liability Company Act, O.C.G.A., Title 14, Chapter 11.

"Affiliate" means a Person or Persons who: (i) directly or indirectly, through one or more intermediaries, controls, is controlled by, or under common control with the Person(s) in question, or (ii) is an officer, director, limited partner, member or shareholder of the Person(s) in question. The term "control," as used in the immediately preceding sentence, means, with respect to a Person that is a

corporation, the right to the exercise, directly or indirectly, more than 50% of the voting rights attributable to the shares of such controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such controlled Person.

"Articles of Organization" means the Articles of Organization required to be filed pursuant to the Act.

"Available Cash" means all cash of the Company on hand as of any given time after the payment of all then due debts and liabilities of the Company and after any prepayments of any debts and liabilities of the Company that the Members deem appropriate to cause the Company to make, less any reserves deemed necessary by the Members, consistent with the provisions of this Agreement, for (a) the repayment of any debts or liabilities of the Company, (b) the working capital or other requirements of the Company, and (c) any contingent or unforeseen liabilities of the Company.

"Business" means any and all lawful business, other than banking or insurance, for which a limited liability company may be organized under the Act, including investing in, owning and otherwise dealing in real property and interests therein.

"Capital Account" of a Member means a capital account established, maintained, and adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv). Consistent therewith, each Member's Capital Account will be adjusted from time to time pursuant to Article 8 hereof, the purpose of which is to set forth certain operating rules for the allocation of book items of income, gain, loss and deduction for Capital Account purposes. The provisions of Article 8 hereof shall be construed in a manner consistent with Treasury Regulations Section 1.704-1(b)(2)(iv). The Capital Accounts shall not be adjusted for items as they are computed and allocated to the Members for federal income tax purposes. Upon the Transfer hereunder of all or part of a Member's Company Interest, other than a Transfer that terminates the Company as a partnership within the meaning of Code Section 708(b)(1)(B), the Capital Account of the transferor Member that is attributable to the transferred Company Interest will carry over to the transferee Member. In the event of a Transfer of all or part of a Member's Company Interest that causes a termination of the Company as a partnership within the meaning of Code Section 708(b)(1)(B), the Members' Capital Accounts will be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(1).

"Code" means the Internal Revenue Code of 1986, as amended, including effective date and transition rules (whether or not codified), and any successor thereto. Any reference to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of succeeding law.

"Company" means "Paschals Restaurants, LLC," a Georgia limited liability company.

"Company Interest" means a limited liability company interest in the Company. The term "limited liability company interest," as used in the immediately preceding sentence shall have the meaning set forth in § 14-11-101(13) of the Act, and shall be measured by the ratio that the balance in a Member's Capital Account bears to the sum of the balances of all Members' Capital Accounts. The Members Company Interests are set forth on Exhibit A attached hereto, which may be amended from time to time by the Secretary to reflect changes in Members and their Company Interests as contemplated by this Agreement.

"Economic Interest" means a Person's share of one or more of the Company's Net Profits, Net Losses or distributions of the Company's assets pursuant to this Agreement and the Act, but shall not include any right to vote on, consent to or otherwise participate in any decision of the management of the Business of the Company.

"Fiscal Quarter" means a fiscal quarter of the Company as determined by the Members.

"Fiscal Year" means the fiscal year of the Company as determined by the Members.

"Members" shall mean each of those Persons set forth on the signature page hereof, and any Person who is admitted to the Company as an additional Member in accordance with the provisions of Section 6.6, or as a substituted Member in accordance with Section 11.3 hereof.

"Net Profits" and "Net Losses" mean the Company's taxable income or loss determined in accordance with Code Section 703(a) for each of its Fiscal Years (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) will be included in taxable income or loss) with the following adjustments: (i) such Net Profits and Net Losses will be computed as if items of tax-exempt income and nondeductible, noncapital expenditures (under Code Section 705(a)(1)(B) and 705(a)(2)(B)) were included in the computation of taxable income or loss; (ii) that any items specially allocated pursuant to Article 8 hereof shall not be taken into account in computing Net Profits or Net Losses; (iii) if any Member contributes property to the Company with an initial book value to the Company different from its adjusted basis for federal income tax purposes to the Company, or if Company property is revalued in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(f) or as otherwise required by the Regulations, Net Profits and Net Losses will be computed as if the initial adjusted basis for federal income tax purposes to the Company of such contributed or revalued property equaled its initial book value to the Company as of the date of contribution or revaluation; and (iv) credits or debits to Capital Accounts due to a revaluation of Company assets in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(f), or due to a distribution of noncash assets as provided in Section 13.2 hereof, will be taken into account as gain or loss from the disposition of such assets for purposes of computing Net Profits and Net Losses.

"Person" means an individual, partnership, limited liability company, joint venture, association, corporation, trust or any other legal entity.

"Securities Act" means the Securities Act of 1933, as amended.

"Transfer" means any sale, assignment, conveyance, transfer, liquidation, encumbrance or alienation of a Company Interest.

1.2 **Interpretation.** The terms defined in this Article 1 shall include the plural as well as the singular. Other capitalized terms used in this Agreement and not defined in this Article 1 shall have the meanings ascribed to such terms elsewhere in this Agreement. Some lower case terms that appear throughout this Agreement also appear above in this Article 1 and elsewhere in this Agreement as capitalized terms. Only when such terms appear as capitalized terms shall such terms have the meanings ascribed to such capitalized terms in this Agreement.

**ARTICLE II
THE LIMITED LIABILITY COMPANY**

2.1 Formation. The Members have formed a limited liability company, subject to the provisions of the Act. The creation of the Company became effective upon the filing of Articles of Organization with the Secretary of State of Georgia. It is the Members' intention that the Company be considered a partnership for purposes of federal income taxation.

2.2 Filing. The Members have caused Articles of Organization to be filed with the Secretary of State of Georgia. Members shall execute such further documents (including amendments to the Articles of Organization) and take such further action as is appropriate to comply with the requirements of law for the formation or operation of a limited liability company in all states and countries where the Company may conduct its Business.

2.3 Name. The name of the Company is "Paschals Restaurants, LLC."

2.4 Place of Business. The location of the Company's principal place of business shall be at such place as the Members may from time to time select.

2.5 Registered Office; Registered Agent. The Company's registered agent in Georgia shall be R. Anthony Joseph, or such other Person as the Members may from time to time select. The initial registered office of the Company shall be 566 Wells Street, Atlanta, Georgia 30312.

2.6 The Members. The name and address of each Member are as set forth on the signature page hereof.

2.7 Purpose. The purpose of the Company is to own and operate 'Paschal's' restaurants. Immediately following the execution of this Agreement, the Members shall cause the Company to enter into a royalty-free licensing arrangement with James Paschal and Paschals Concessions, Inc. ("PCI") pursuant to which James Paschal and PCI shall grant to the Company the right to the use of the tradename 'Paschal's', and all related operating systems, menus, recipes, and logos developed or currently or previously used by James Paschal and PCI in the operation of 'Paschal's' restaurants, in the operation of one restaurant located at Castleberry Inn on Northside Drive in Atlanta, Georgia.

**ARTICLE III
MANAGEMENT**

3.1 Management of Business. Except as otherwise provided herein, the Company's Business and affairs shall be managed by the Members. Unless otherwise expressly provided herein or in the Articles, all decisions to be made or actions to be taken on behalf of the Company shall require the majority vote of the Company Interests of the Members.

3.2 Officers. The Company shall have the following officers: two Co-Presidents, a Secretary and a Treasurer, and such other officers as the Members by a majority vote shall from time to time decide. Officers may, but need not, be affiliated with any Member. Any individual may hold one or more offices.

3.3 Election of Officers.

(a) The initial officers of the Company shall be:

Co-President

Herman J. Russell

Additionally, the Members shall jointly appoint a Treasurer and a Secretary.

(b) Such individuals shall serve in such offices until (i) death, bankruptcy, resignation, dissolution or the removal or disability (the latter two determined by a majority vote of the Company Interests of the Members) and (ii) a new officer is elected by majority vote of the Company Interests of the Members. Any officer may be removed, with or without cause, by majority vote of the Company Interests of the Members.

(c) Any vacancy in office of an officer resulting from any cause may be filled by majority vote of the Company Interests of the Members.

3.5 Powers and Duties. Each officer has the authority and shall perform the duties set forth below or, to the extent consistent herewith, the duties prescribed by majority vote of the Company Interests of the Members.

(a) **Co-President.** The officers designated Co-President shall be the chief executive officers of the Company and shall be responsible for general supervision of the policies of the Company and general and active management of the financial affairs of the Company. Each Co-President shall have the power to make and execute contracts on behalf of the Company and to delegate such power to others. Each Co-President also shall have such powers and perform such duties as are specifically imposed on him by law and as may be assigned to him by majority vote of the Company Interests of the Members.

(b) **Secretary.** The Secretary shall attend all meetings of the Members and shall record all votes and minutes of all proceedings in books to be kept for that purpose, and shall perform like duties for committees when required. The Secretary shall give, or cause to be given, any notice required to be given of any meetings of the Members. The Secretary shall cause to be kept such books and records as the Members may require and shall cause to be prepared, recorded, transferred, issued, sealed and canceled Company Interests (and certificates representing such interests, if any) as required by transactions of the Company and its Members. The Secretary may also sign contracts and instruments of the Company whenever two signatures are required by such document.

(c) **Treasurer.** The officer designated as Treasurer shall be charged with the management of financial affairs of the Company. She shall perform such duties as Treasurers usually perform and shall perform such other duties and shall exercise such other powers as the Members may from time to time designate and shall render to the Members or the President whenever requested, an account of the financial condition of the Company.

3.6 Related Party Transactions. Notwithstanding that it may constitute a conflict of interest, the Members and their Affiliates may engage in any transaction with the Company, and vice versa, so long as such transaction is not expressly prohibited by this Agreement and so long as the terms and conditions of such transaction, on an overall basis, are fair and reasonable to the Company and are at least as favorable to the Company as those that are generally available from persons capable of similarly performing them, or if a majority of the Company Interests of the Members approve the transaction in writing. Neither the Company nor any Member shall have any rights in or to any income or profits derived by any Member or Affiliate from such transactions or other ventures or businesses as a result of entering into this Agreement.

**ARTICLE IV
CORPORATE SUPPORT SERVICES**

4.1 **Corporate Support Services.** The Company may contract with Affiliates of the Members to receive corporate support services. Any such contracts or arrangements may only be entered into upon the majority vote of the Company Interests of the Members.

4.2 **Compensation.** Except as otherwise provided herein or approved by a majority vote of the Company Interests of the Members, none of the Members, Company officers, or their Affiliates shall be entitled to compensation in connection with rendering their services to the Company.

4.3 **Reimbursement of Members.** The Company shall reimburse the Members, Company officers, and their Affiliates for all reasonable and direct out-of-pocket expenses and costs incurred in connection with rendering services to the Company; provided, however, that any such expenses must be documented in the manner required by the Internal Revenue Service as necessary to allow the deductibility of such expenses as business expenses of the Company.

**ARTICLE V
GENERAL MANAGER**

5.1 **General Manager.** The Company will employ an individual to serve as the General Manager of its operations. The General Manager will be responsible for the daily management of the Company's business and the direct supervision of the Company's employees and operations. The General Manager shall be directly supervised and appointed by the Co-Presidents.

**ARTICLE VI
COMPANY INTERESTS; CAPITAL CONTRIBUTIONS; VOTING RIGHTS**

6.1 **Company Interests.** The initial Company Interests held by each Member are set forth on Exhibit A, attached hereto and incorporated herein by reference.

6.2 **Initial Capital Contributions.** The initial capital contributions of the Members are set forth on Exhibit A, attached hereto and incorporated herein by reference.

6.3 **Additional Capital Contributions.** The Members shall make additional contributions to the Company's capital upon the majority vote of the Company Interests of the Members. No Member shall be permitted to make any additional contribution to the Company's capital without the majority vote of the Company Interests of the Members.

6.4 **Optional Loans.** In the event that the Members determine that the Company needs additional capital, the Members may decide that one or more of the Members shall make a loan to the Company in an amount mutually determined by the Members. Any loan made pursuant to this Section 6.4 shall bear simple interest at the rate of two percent (2%) per annum in excess of the "prime rate" of Bank of America, Atlanta, Georgia, or its successor entity, in effect from time to time during the periods such loans are outstanding, and shall be payable pursuant to the provisions of Sections 7.1 and 13.1 hereof.

6.5 **Voting Rights.** All voting rights of the Members shall be vested in the Members in accordance with their respective Company Interests, from time to time.

6.6 Additional Members. Additional Members may be admitted to the Company as provided herein, upon such additional terms and conditions as may be approved by majority vote of the Company Interests of the Members; provided, however, no Person shall be admitted as an additional Member unless and until such Person has first agreed to be bound by this Agreement in writing in form and substance satisfactory to the Members.

6.7 Representation. Each Member represents that it is acquiring Company Interests for investment purposes only for its own account and not with a view to further distribution or transfer.

6.8 No Interest on Contributions. No Member will be entitled to receive interest on his capital contribution.

ARTICLE VII DISTRIBUTIONS

7.1 Distributions. From time to time, as determined by the Members, the Company's Available Cash may be distributed to the Members. Except as otherwise provided herein, all distributions of Available Cash shall be distributed as follows:

(a) If any loan made by a Member or Affiliate to the Company pursuant to Section 6.4 hereof has not been repaid, the outstanding balance of such loan (including any accrued and unpaid interest) shall be repaid to such Member or Affiliate out of the Available Cash; provided, however, that if the Available Cash is insufficient to pay the aggregate balance of all such loans in its entirety, the Available Cash shall be applied to reduce such outstanding balance with respect to each Member or Affiliate by an amount calculated by multiplying the Available Cash by the ratio of the Member's or Affiliate's outstanding balance to the aggregate outstanding balance of all loans made pursuant to Section 6.4 hereof; and

(b) The Company shall distribute any remaining Available Cash to the Members according to their respective Company Interests.

Each Member, by becoming a Member, consents to any distribution made in accordance with this Article 7.

7.2 Distributions Upon Dissolution. Notwithstanding anything herein to the contrary, upon the occurrence of an event of dissolution as provided in Section 12.1 hereof, cash distributions occurring in connection with such event of dissolution and thereafter shall be made in accordance with Article 13 hereof.

7.3 Distributions After the Fiscal Year End. The Members may, to the extent consistent with this Article 7, elect to have distributions made after the end of a Fiscal Year relate back to such Fiscal Year, provided, however, that any such distribution must be made within thirty (30) days after the end of such Fiscal Year.

7.4 Withholding. The Members may cause the Company to withhold income or other taxes as may be required by, and otherwise comply with and take actions necessary as the result of, the provisions of the Code or any state or local tax law requiring withholding. Any amounts of the Company's Available Cash withheld pursuant to this Agreement shall be deemed to have been paid to the Members as distributions of the Company's Available Cash in the amounts so withheld pursuant to this Article 7.

7.5 Tax Distributions. Notwithstanding the provisions of Section 7.1, the Company shall distribute to each Member, with respect to each fiscal year, either during such fiscal year or within sixty (60) days thereafter, an amount of Available Cash equal to (i) the amount of the Company's federal taxable income allocated to such Member for such fiscal year, multiplied by (ii) the highest combined federal and state income tax rate to which any Member is subject with respect to such fiscal year (the "Tax Distribution"); provided; however, that the Tax Distribution for any fiscal year may be reduced or eliminated on a pro rata basis among the Members if and to the extent determined by the Members.

ARTICLE VIII ADJUSTMENT OF CAPITAL ACCOUNTS AND PROFITS AND LOSSES

8.1 General Tax Allocations. As of the end of each Fiscal Year, and after giving effect to the special tax allocations set forth in Section 8.2, Net Profits and Net Losses shall be allocated among the Members for Capital Account, as well as for federal income tax purposes, as follows:

(a) **Net Profits.** Net Profits shall be allocated among the Members in accordance with their respective Company Interests.

(b) **Net Losses.** Net Losses shall be allocated among the Members in accordance with their respective Company Interests.

8.2 Special Allocations. At the end of each Fiscal Year and notwithstanding any provision of Section 8.1, the following special allocations shall be made for both Capital Account and for federal income tax purposes unless otherwise provided:

(a) In accordance with the ordering rules of Treasury Regulation Section 1.704-2(j), items of gross income and realized gain first shall be allocated in an amount and in a manner that complies with the "chargeback" requirement of Treasury Regulation Section 1.704-2(i)(4), the "qualified income offset" requirement of Treasury Regulation Section 1.704-1(b)(2)(ii)(d), and the "minimum gain chargeback" requirement of Treasury Regulation Section 1.704-2(f). Further, any "partner nonrecourse deductions" within the meaning of Treasury Regulation Section 1.704-2(i)(2) attributable to "partner nonrecourse debt" shall be allocated to the Member who bears the "economic risk of loss" for such debt in accordance with Treasury Regulation Section 1.704-2(i). Any losses in excess of the losses allowable to the Members pursuant to the Treasury Regulations promulgated under Code Section 704(b) shall first be allocated to the extent allowable hereunder to Members who are not precluded from receiving such allocations by the preceding provisions of this subparagraph (a), if any, and shall thereafter be allocated as provided in Section 8.1.

(b) If a taxing authority ignores the characterization of any amounts paid to a Member (or an Affiliate thereof) as salaries, management fees, commissions, interest or other compensation for services ("Compensation"), and refuses to treat such payments as either guaranteed payments within the meaning of Code Section 707(c) or payments made to such Member other than in such Member's capacity as a "partner" within the meaning of Code Section 707(a), and such taxing authority ultimately treats such amounts paid to a Member (or an affiliate thereto) as a distribution to such Member for federal income tax purposes which reduces such Member's Capital Account, then the Compensation shall be treated as an allocation of an item of income or gain of the Company to the recipient Member so that, consistent with the intent of the Members, the Compensation shall not be treated as a distribution which reduces the recipient Member's Capital Account. Accordingly, such Member shall be allocated the first available items of Company income and gain (including in a succeeding year) in an amount equal to the Compensation.

(c) If the Company owns (x) any property contributed by a Member that had a fair market value different from its adjusted basis for federal income tax purposes on the date of the contribution, or (y) any property that has been revalued pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f), then for federal income tax purposes only and not for Capital Account purposes, any income, gain, loss or deduction with respect to such property shall be allocated among the Members in accordance with Code Section 704(c) and the Treasury Regulations thereunder.

8.3 Tax Items. Except as otherwise provided herein, any allocation to a Member of a portion of the Net Profits or Net Losses for a Fiscal Year (or other relevant period) will be deemed to be an allocation to that Member of the same proportionate part of each item of income, gain, loss, deduction or credit that is earned, realized or available by or to the Company for federal income tax purposes.

8.4 Partial Year Allocations. In the event that a Member is admitted to the Company during the Company's Fiscal Year, or all or a portion of a Member's Company Interest is transferred during the Company's Fiscal Year, Net Profits and Net Losses shall be allocated to the admitted or transferee Member in any manner permitted by Code Section 706 or the Treasury Regulations thereunder, as the President shall determine in his discretion. Allocations made in this Article 8 shall be made to each holder of a Company Interest whether or not the holder is a substituted Member.

8.5 Allocations and Distributions Upon Dissolution. When the Company is dissolved and wound-up pursuant to Article 13 hereof, all items of income, gain, loss and deduction not previously allocated shall be allocated to the Members pursuant to this Article 8. It is the intent of the parties hereto that after the allocations described in the previous sentence are made and the final cash distribution referred to in Section 13.1(d) hereof is made, that such actions will result in the Capital Account balances of the Members equaling zero following the dissolution of the Company. The allocation and distribution provisions of Articles 7 and 8, as well as the provisions of Article 13 hereof, shall be construed in such a way in order to achieve this result. Notwithstanding anything in this Agreement to the contrary, no Member shall be obligated to restore any negative balance in his Capital Account upon the dissolution of the Company, the Transfer of all or any portion of his Company Interest, or otherwise.

ARTICLE IX LIMITATION ON LIABILITY AND INDEMNIFICATION

9.1 Limitation on Liability of the Members. No Member, Company officer, or any of their Affiliates, shall be liable to the Company or any other Member, Company officer, or any of their Affiliates for any loss or damage sustained by any of them, except loss or damage resulting from intentional misconduct or a knowing violation of law or a transaction for which such Person received a personal benefit in violation or breach of any provision of this Agreement.

9.2 Indemnification. The Company shall indemnify and hold harmless the Members, Company officers, and their Affiliates from and against any and all claims and demands whatsoever arising in connection with the Company to the fullest extent provided by Section 14-11-306 of the Act and applicable law.

**ARTICLE X
ACCOUNTING, BOOKS AND RECORDS**

10.1 Accounting Method. The Company will maintain its books and records on such basis of accounting as the Members shall determine.

10.2 Books and Records. The Company shall keep, at Company expense, full, complete and accurate books of account and other records showing the assets, liabilities, costs, expenditures, receipts and such other matters as are required by the Code. Such books of account will be the property of the Company, will be kept in accordance with sound accounting principles and procedures consistently applied and will be open to the reasonable inspection and examination by the Members and their duly authorized representatives. Such books of account will be maintained at the principal office of the Company, or at such other place as the Members determine.

10.3 Financial Statements. Within sixty (60) days following the end of each Fiscal Quarter of the Company, and within ninety (90) days following the end of each Fiscal Year of the Company, the Members shall cause to be prepared and delivered to each Member unaudited financial statements of the Company for such Fiscal Quarter and Fiscal Year.

10.4 Tax Returns. The Members shall cause the Company's tax returns and other governmental returns and reports to be prepared and timely filed. The Members shall deliver copies of Schedule K-1 of Form 1065 (or a comparable schedule) and other necessary tax information for each Fiscal Year to each Member no later than sixty (60) days after the end of each Fiscal Year, or such later date as may be otherwise agreed to by the Members.

10.5 Tax Matters Person. Herman J. Russell, or such other Member as designated by the Members, shall be the Tax Matters Person of the Company as provided in Treasury Regulations pursuant to Code Section 6231. The Tax Matters Person shall represent the Company (at the expense of the Company) in connection with all examinations of the affairs of the Company by any foreign, federal, state, or local tax authorities, including any resulting administrative and judicial proceedings, and to expend funds of the Company for professional services and costs associated therewith.

**ARTICLE XI
TRANSFERS AND ASSIGNMENTS**

11.1 Transfers.

(a) **Transfers Generally.** Except as otherwise specifically provided in this Article 11, no Member shall make any Transfer of any or all of its Company Interest other than to an existing Member without the prior unanimous written consent of the Non-Selling Members (as defined in Section 11.2(a)) or non-Transferring Members (as specified in Section 11.1(b)). Any attempted Transfer of all or any portion of a Member's Company Interest other than as permitted hereunder shall be null and void and shall have no effect whatsoever.

(b) **Permitted Transfers.** A Member (the "Transferring Member") may make a Transfer of any or all of its Company Interest without complying with Section 11.3 if such Transfer is:

(i) to the spouse, child, grandchild, or parent of such Member, or to a trust for the benefit of such spouse, child, grandchild, or parent; or

(ii) by testamentary transfer to the estate of such Member or to the beneficiaries of such Member.

Notwithstanding the foregoing, any permitted transferee shall become a substitute Member only upon the unanimous consent of the Company Interests of the non-Transferring Members.

11.2 Right of First Refusal. Except as otherwise set forth in this Article 11, no Member may attempt to sell, assign, transfer or convey its Company Interest to any third party without first complying with the terms of this Section 11.2. In the event any Member desires to sell, assign, transfer or convey its interest in the Company (the "Offered Interest") and has received a bona fide offer from a third party (the "Third Party Offeror") such Member (the "Selling Member") shall be entitled to Transfer the Offered Interest to the Third Party Offeror only in accordance with this Section 11.2:

(a) The Selling Member shall give written notice by registered mail (the "Sales Notice") of his intention to sell the Offered Interest first to the Company addressed care of the Co-Presidents. The Sales Notice shall be accompanied by a copy of the written offer from the Third Party Offeror containing the terms of the proposed purchase. The Sales Notice shall include the identity of the Third Party Offeror, the purchase price and the terms of payment. The Co-Presidents (or if one of the Co-Presidents is a Selling Member, the Co-President that is not a Selling Member) of the Company shall determine in his/their sole discretion whether the Company will purchase the Offered Interest. The Company shall respond to the Selling Member within fifteen (15) days from the date of receipt of the Sales Notice, which response shall set forth whether the Company will purchase the Offered Interest. The Company shall have a right of first refusal which has priority to any of the Non-Selling Members (as defined below) for the Offered Interest. If the Company declines to purchase the Offered Interest, the Selling Member shall send a Sales Notice (with the accompanying terms) by registered mail to each other Member (collectively, the "Non-Selling Members") notifying such Non-Selling Members of the terms of the proposed sale of the Offered Interest.

(b) The Non-Selling Members shall respond in writing by registered mail delivered to the Co-Presidents (or if one of the Co-Presidents is a Selling Member, the Co-President that is not a Selling Member), if at all, within thirty (30) days from the date the Sales Notice was postmarked. Such response by each such Person shall state whether such Member desires to purchase the Offered Interest under the terms of the Third Party Offeror's offer.

(c) Upon the expiration of thirty (30) days from the date the Sales Notice was postmarked, the Co-Presidents (or if one of the Co-Presidents is a Selling Member, the Co-President that is not a Selling Member) shall determine which of the Non-Selling Members, if any, will purchase the Offered Interest. The Co-Presidents (or if one of the Co-Presidents is a Selling Member, the Co-President that is not a Selling Member) shall make such determination by allocating the Offered Interest among each Non-Selling Member who responded to the Sales Notice on a pro rata basis according to their respective percentage of Company Interests owned prior to the proposed transfer.

(d) If the Offered Interest is accepted by the Company or any combination of the Non-Selling Members, then the Selling Member shall sell, and the purchasing party or parties shall purchase or redeem, as the case may be, the Offered Interest upon the terms and conditions described in the Sales Notice. The closing of such transaction shall occur at a time and place to be determined by the Selling Member and the purchasing party or parties, but in any event within thirty (30) days following the expiration of the Company's thirty (30) day option period described in Section 11.2(c) above.

(e) If all of the Offered Interest is not accepted by any combination of the Non-Selling Members or the Company, then the Selling Member shall be free to sell the Offered Interest to the

Third Party Offeror in accordance with the terms of the Sales Notice, consistent with all other provisions of this Agreement. If such sale does not occur within six (6) months of the original mailing of the Sales Notice, then the Offered Interest will once again become fully subject to this Section 11.2.

11.3 Conditions of Transfer. No transferee of any Company Interest will become a substituted Member until the following conditions have been satisfied:

(a) the unanimous consent of the Non-Selling or Non-Transferring Members must have been obtained;

(b) the transferor Member must have executed a written instrument of transfer of such Company Interests in form and substance satisfactory to the Members;

(c) the transferee must have executed a written agreement, in form and substance satisfactory to the Members, to assume all of the duties and obligations of the transferor Member under this Agreement and to be bound by and subject to all of the terms and conditions of this Agreement;

(d) the transferor Member and the transferee must have executed a written agreement, in form and substance satisfactory to the Members, to indemnify and hold the Company and the nontransferring Members harmless from and against any loss or liability arising out of the Transfer;

(e) upon request by the non-transferor Members, the transferor must have delivered to the Company a written opinion of counsel for the Company or of other counsel reasonably satisfactory to the Members (which opinion shall be obtained at the expense of the transferor) that such Transfer will not result in (i) a violation of applicable law or this Agreement, (ii) the Company being classified as an association taxable as a corporation, or (iii) the Company being deemed terminated pursuant to Code Section 708 or any comparable future section of the Code; and

(f) unless otherwise waived by the non-transferor Members, the transferee or transferor must have paid the expenses incurred by the Company in connection with the admission of the transferee to the Company.

A transferee who does not become a substituted Member will be entitled to receive only that portion of the distributions or allocations to which its transferor would otherwise be entitled. Such transferee will not be entitled to vote on any question regarding the Company, and its Company Interest will not be considered to be outstanding for voting purposes but will be treated as outstanding for Article 6 purposes.

11.4 Right to Purchase Residual Rights. Upon and contemporaneously with any Transfer of a Member's Economic Interest in the Company, which does not at the same time transfer the balance of the rights associated with the Economic Interest transferred by the transferring Member, (including, without limitation, the rights of the transferring Member to vote on, consent to or otherwise participate in the management of the Business of the Company), the Company shall purchase from the transferring Member, and the transferring Member shall sell to the Company for a purchase price of \$10.00, all remaining rights and interests retained by the transferring Member which immediately prior to such sale or gift were associated with the transferred Economic Interest. This provision shall not apply to any Transfer pursuant to Section 11.1(b)(i) or (ii), but such permitted transferees shall either be approved as substituted Members pursuant to Section 11.3, or the balance of the rights associated with the Economic

Interest shall remain with the transferor until further action is taken by such transferor which complies with the terms of this Article 11.

11.5 **Withdrawal.** Except as otherwise set forth in this Agreement, no Member may, by voluntary act, withdraw from the Company.

ARTICLE XII DISSOLUTION OF COMPANY

12.1 **Events of Dissolution.** The Company shall continue until the earlier of:

- (a) the affirmative vote of a majority of the Members;
- (b) any event which makes it unlawful for the Business of the Company to be carried on by the Members; or
- (c) any other event causing a dissolution of a limited liability company under the Act.

12.2 **Continuance of the Company.** Notwithstanding the foregoing provisions of Section 12.1 hereof, the Members have the right to continue the Business of the Company. Such right can be exercised only by majority vote of the Company Interests of the Members (or in the event of an event of dissolution pursuant to Section 12.1(c), the remaining Members) within ninety (90) days after the occurrence of an event in Section 12.1. If not so exercised, the right of the Members to continue the Business of the Company shall expire and the Company's affairs shall be wound up, as provided in Article 13 hereof.

ARTICLE XIII DISTRIBUTIONS UPON LIQUIDATION

13.1 **Method of Liquidation.** Upon dissolution of the Company for any reason, the Company shall promptly commence to wind-up its affairs. A reasonable period of time will be allowed for the orderly termination of the Company's Business, the discharge of its liabilities and the distribution or liquidation of its remaining assets so as to enable the Company to minimize the normal losses attendant to the liquidation process. The Members will cause a full accounting of the assets and liabilities of the Company as of the date of dissolution to be taken and a written statement thereof to be furnished to each Member within sixty (60) days after such date. Such accounting and statement will be prepared under the direction of the Members, or, if they so determine, by a liquidating trustee selected by Members. The Company's property and assets or the proceeds from the liquidation thereof will be applied in the following order of priority:

- (a) payment of the debts and liabilities of the Company, in the order of priority provided by law (excluding any loans by Members or their Affiliates), and payment of the expenses of liquidation;
- (b) payment of any and all loans made by Members or their Affiliates to the Company, plus any accrued but unpaid interest thereon, which amount shall be applied first to interest and then to principal; provided, that in the event the Company's funds are insufficient to satisfy fully all such loans, then all loans made by all Members or their Affiliates shall be repaid on a pro rata basis;

(c) setting up of such reserves as the Members or liquidating trustee deem reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company or any obligation or liability not then due and payable; provided, any balance of such reserve, at the expiration of such period as the Members or liquidating trustee shall deem advisable, shall be distributed in the manner herein provided; and

(d) distribution to the Members, on a pro rata basis, of the positive balances of their Capital Accounts, adjusted to the date of distribution.

13.2 Distributions in Kind. Any noncash asset to be distributed in kind (as a liquidating distribution or otherwise) to one or more Members will first be valued at its fair market value to determine the gain or loss that would have resulted if such asset were sold for such value, and such gain or loss will then be allocated pursuant to Article 8 hereof, and the Members' Capital Accounts shall be adjusted to reflect such gain or loss. The amount distributed and charged to the Capital Account of each Member receiving an interest in such distributed asset shall be the fair market value of such interest (net of any liability secured by such asset that such Member is considered to assume or take subject to under Code Section 752). The Co-Presidents or liquidating trustee, as the case may be, shall determine the fair market value of such asset.

13.3 Certificate of Termination. Upon the completion of the distribution of Company assets, the Company shall be terminated and the Members shall cause the Company to execute and file a Certificate of Termination pursuant to Section 14-11-610 of the Act and take such other actions as may be necessary to terminate the Company.

ARTICLE XIV MEETINGS OF MEMBERS

14.1 Meetings of Members. The annual meeting of the Members shall be held each year at the principal place of business of the Company (or at a mutually agreeable location) at a time specified by the Co-Presidents on three (3) days notice for the purposes of transacting such business as properly may be brought before the meeting. Members may waive any notice requirement. Subject to any express provision of law, the Articles of Organization, or this Agreement, the presence, in person or by proxy, of a majority of the Company Interests of the Members shall constitute a quorum for the transaction of business at all meetings. Members may also agree to conduct such meetings by telephone conference. A special meeting of the Members may be held upon delivery to the Company of a signed and dated written request setting out the purpose or purposes for proposed meeting by a Member or Members holding at least 50% of the votes entitled to be cast on any issue proposed to be considered at the special meeting. Unless otherwise waived in writing by all Members, the Secretary shall provide three (3) days notice of the meeting, and the notice shall set forth the purpose or purposes of the special meeting. Only business within the purpose or purposes described in the notice may be conducted at a special meeting. Subject to any express provision of law, the Articles of Organization, or this Agreement, the presence, in person or by proxy, of Members holding a majority of the votes shall constitute a quorum for the transaction of business at such meetings. Members may also agree to conduct such meetings by telephone conference.

14.2 Action Without Meeting. Action required or permitted by the Act to be taken by the Members may be taken without a meeting if the action taken is by all of the Members of the Company, and such action is evidenced by one or more written consents describing the action taken, signed by the Members approving such action, and delivered to the Company for inclusion in the Company records.

14.3 Proxy. Any Member may grant any other Person a proxy to vote in its or her stead.

**ARTICLE XV
MISCELLANEOUS**

15.1 Amendments. No amendment to this Agreement or to the Articles of Organization shall be effective until it has been approved in writing by a majority of the Company Interests of the Members. Oral amendments that are not otherwise set forth in writing shall have no effect.

15.2 Additional Documents. At any time and from time to time after the date of this Agreement, the Members shall do and perform, or cause to be done and performed, all such additional acts and deeds, and shall execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, all such additional instruments and documents, as are required to best effectuate the purposes and intent of this Agreement.

15.3 Notices. Any notices or other communications required or permitted by this Agreement must be in writing and shall be deemed to have been duly given and delivered when delivered in Person or when mailed postage prepaid to the recipient Member(s) at the most recent address of the recipient Member as shown on the records of the Company (or to such other address of which the Company subsequently has been notified in writing by such Member). If notice is mailed via regular mail, it shall be mailed first class, postage prepaid, and notice shall be deemed to have been given seven (7) days after mailing or upon receipt, whichever is sooner. Any Member may change its or her address by giving notice to the other Members.

15.4 Applicable Law. This Agreement is to be governed by, construed under, and enforced and interpreted in accordance with the laws of the State of Georgia, without giving effect to principles of conflicts of laws.

15.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes any prior understanding or agreement among them respecting the subject matter hereof. There are no representations, arrangements, understandings or agreements, oral or written, among the parties hereto relating to the subject matter of this Agreement, except those fully expressed herein. No waiver of any provision hereof will be valid or binding on the parties hereto, unless such waiver is in writing and signed by or on behalf of the parties hereto, and no waiver on one occasion shall be deemed to be a waiver of the same or any other provision hereof in the future.

15.6 Severability. If any term or provision of this Agreement is held illegal, invalid or unenforceable, such illegality, invalidity or unenforceability will not affect the legality, validity or enforceability of the remainder of this Agreement.

15.7 Successors. Subject to the provisions hereof imposing limitations and conditions upon the transfer, sale or other disposition of the Members' Company Interests, all the provisions hereof will inure to the benefit of and be binding upon the successors, legal representatives and assigns of the parties hereto.

15.8 Arbitration. Should there be any ambiguity, contradiction or inconsistency in this Agreement, or should any disagreement or dispute arise in the course of this implementation of this Agreement, the component representatives of the parties shall first attempt in good faith amicably to settle the matter by mutual negotiations. If such negotiations are unsuccessful, any controversy, dispute or claim arising out of, or in connection with, this Agreement must be settled by final and binding arbitration to be held in Atlanta, Georgia in accordance with the Commercial Arbitration Rules as amended from time to time and in effect (the "Rules"), of the American Arbitration Association. The procedures and law applicable during the arbitration of any controversy, dispute or claim shall be both the Rules and the

internal laws of the State of Georgia, without giving effect to principles of conflicts of law. Nothing herein shall prevent any party from seeking injunctive relief or specific performance.

15.9 Counterparts. This Agreement can be executed in counterparts, each of which shall for all purposes be deemed an original, and all of such counterparts will together constitute one and the same agreement.

15.10 Headings. Article, Section and other headings contained in this Agreement are for reference purposes only and are in no way intended to define, interpret, describe or limit the scope, extent or intent of this Agreement or any provision hereof.


15.11 Acceptance of Prior Acts by New Members. Each Person who becomes a Member, by becoming a Member, ratifies, affirms and confirms, and agrees to be bound by, all actions duly taken by the Company, pursuant to the terms of this Agreement, prior to the date such Person becomes a Member.

15.12 Company Property. The title to all real or personal property (or interests therein) now or hereafter acquired by the Company will be held by and vested in the Company, and not by or in any Member, individually.

15.13 Gender and Number. Where the context requires, the use of a pronoun of one gender is to be deemed to include a pronoun of the appropriate gender or the neuter, and singular words are to be deemed to include the plural and vice versa.

IN WITNESS WHEREOF, the parties hereto acknowledge, under penalties of perjury, that the matters and facts set forth in this Operating Agreement are true and that they have signed this Operating Agreement on the respective dates set forth below to be effective as of the date first above written.

By:


Herman J. Russell
504 Fair Street, SW
Atlanta, Georgia 30313

By:

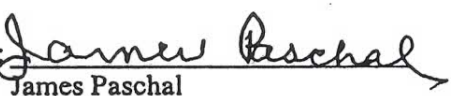

James Paschal
P.O. Box 92484
Atlanta Georgia 30314

EXHIBIT A

INITIAL CAPITAL CONTRIBUTIONS

<u>Name</u>	<u>Contribution</u>	<u>Company Interest</u>
Herman J. Russell	\$1000.00	50%
James Paschal	\$1000.00	50%