



Exhibit C

Communications Will the Virginia and K Street™

**OPERATING AGREEMENT OF QORVIS COMMUNICATIONS, LLC  
A VIRGINIA LIMITED LIABILITY COMPANY**

THIS OPERATING AGREEMENT is made effective by the undersigned as of this Eighteenth day of August, 2000.

**FORMATION**

1.1 The undersigned have formed a limited liability company under the laws of the Commonwealth of Virginia.

1.2 The name of this Company is QORVIS COMMUNICATIONS, LLC (the "Company").

1.3 The purpose for which this Company is formed is to operate a highly strategic and integrated organization in the following specialties: public affairs, investor relations and financial communications, research, media relations, grassroots, branding and marketing, issue advertising and strategic planning. The Company shall have the authority to engage in any lawful act, business or activity for which limited liability companies may be formed under the laws of the Commonwealth of Virginia and to do any and all other things determined by the Managers to be necessary, desirable or incidental to the foregoing purpose.

1.4 The term of the Company shall become effective on the date the articles of organization are filed with the Commonwealth of Virginia.

1.5 The location of the initial principal places of business of the Company shall be in the Commonwealth of Virginia and the District of Columbia. The Managers may change the principal places of business and establish additional places of business as they deem necessary or desirable to conduct the Business of the Company.

1.6 The Company's agent for service of process shall be C. Thomas Hicks III, who is located at the following address: 1750 Tysons Boulevard, 12th Floor, McLean, Virginia 22102, or such other agent as the Managers may designate from time to time.

1.7 The term of existence of the Company shall be perpetual, subject to dissolution and termination under the provisions of Article X.

12/4/00



## II. MANAGEMENT/OPERATIONS

2.1 The Company's Business shall be managed by Managers (hereinafter referred to as the "Managers" and there shall be a Managing Member possessing primary responsibility for the day-to-day operation of the Business as set forth below.

The initial Members are: Michael Petruzzello, Judy Smith, The Poretz Group, Ltd., Bernie Merritt and James D. Weber (hereinafter sometimes collectively referred to as the "Original Members" or "Class A Members). The initial Managers are the Original Members, and one (1) designee of the Class C Members (should the Company have Class C Members).

Michael Petruzzello shall be the initial Managing Member and may be removed from this position only for Just Cause (as that term is defined in Section 14.1 below) by the unanimous affirmative vote of all Managers other than the Managing Member.

The general rules with respect to management shall be as follows:

- (A) The Managers shall consist solely of the Original Members, and one (1) designee of the Class C Members (should the Company have Class C Members). Except for situations in which the approval of the Members is required by law or this Agreement, and subject to the authority granted the Managing Member, the Managers shall have authority for strategic supervision of the policies of the Company and general management of the Business and financial affairs of the Company. Subject to Section 2.2 below, the Original Members shall remain Managers so long as they remain Members. Doug Poretz is hereby designated and approved by the Managers as the Designee of The Poretz Group, Ltd., in its capacity as Member and Manager, with full authority to vote and to otherwise act in behalf of The Poretz Group, Ltd. in all respects as a Member or Manager, as the case may be, so long as The Poretz Group, Ltd. remains a Member and/or a Manager, as applicable.
- (B) The Managers shall be solely responsible for the management, conduct and operation of the Business of the Company. They shall possess all rights and powers, not reserved to the Managing Member by this Agreement, which are generally conferred by law and all rights and powers that are necessary, advisable or consistent in connection therewith and with the provisions of this Agreement. In the event the Managing Member is removed as Managing Member or is physically or mentally disabled and unable to perform the responsibilities reserved to the Managing Member by this Agreement, the



Managers will be responsible for all management, conduct and operation of the Business of the Company until a replacement Managing Member is appointed by the Managers and assumes the position of Managing Member.

- (C) Except where a particular percentage vote by the Managers is expressly required by this Agreement or by law, a majority vote of the Managers shall be required for all decisions to be taken by the Managers.
- (D) For purposes of voting on decisions subject to the vote of the Managers, each Manager shall be entitled to one (1) vote.
- (E) The Managing Member shall prepare and present to the Managers periodically, but not less frequently than once per year during the first calendar quarter of the fiscal year, a business plan and budget for the Company covering the operations of the Company and the Business for the period of time ending at the end of such fiscal year of the Company. Such business plan and budget shall outline in sufficient detail matters as to enable the Managers to manage, operate and conduct the Business of the Company for the succeeding period of time ending at the end of the fiscal year in which such business plan and budget are approved, and shall include but not be limited to matters regarding proposed debt, changing banking relationships, expenditures, client contracts, real estate leases or other contracts, and executive recruiting, hiring and firing senior executives of the Company. The business plan and budget must be approved by the affirmative vote of more than eighty percent (80%) of the Managers and will be reviewed by the Managers for appropriate adjustment and refinement at the six (6) month anniversary of its initial approval.
- (F) The duties and authority of the Managing Member shall be comparable to that of the Chief Executive Officer of a corporation. The Managing Member shall have the authority to make all day to day operational decisions, which are within, or consistent with the business plan and budget approved by the Managers. The Managing Member will provide reasonable prior notice to the Managers of any proposed deviation by the Managing Member from the approved business plan or budget and any other decision made or action taken by the Managing Member which may have a material effect on the business or value of the Company, and such decision or action shall be subject to review and approval by the affirmative vote of more than eighty percent (80%) of the Managers.
- (G) Except as authorized by the unanimous affirmative vote of the Managers or by this Agreement, or unless specifically designated and authorized in writing by the



Managing Member, no Member other than the Managing Member or his designee has the authority to act on behalf of, act as an agent for, make any contracts, enter into any transactions or make commitments on behalf of or otherwise bind the Company.

- (H) Notwithstanding any other provision of this Agreement, the following actions may be taken by the Company only upon the affirmative vote both of eighty percent (80%) of the Managers and by the Members holding more than eighty percent (80%) of the Class A, Class B and Class C Membership Interests voting as a single class:
- (i) except as provided in Section 13.1 below, the amendment, alteration or repeal of this Agreement or the Company's Articles of Organization;
  - (ii) the creation of any new class or series of Membership Interests or securities of the Company or any Affiliate, as the case may be, or the creation of any rights in respect of any of the foregoing;
  - (iii) the commencement, directly or through an Affiliate or a Related Person, of any new line of business, or forming of a joint venture or partnership with any other entity;
  - (iv) the increase or decrease of the number of the Company's Managers;
  - (v) the hiring and firing of personnel employed by the Company as senior management (as defined by the Company from time to time by the Managers);
  - (vi) subject to the limitations imposed by this Agreement, the admission of additional Members in addition to existing Members or in substitution of Members disposing of their Membership Interest in the Company, with any such admission to be conditioned upon any lawful terms and conditions which the Managers and Members desire to impose.
  - (vii) use of Company property for any purpose other than for the Business of the Company;
  - (viii) the merger, combination or conversion of the Company or sale of substantially all of the assets of the Company, except in the event of a Drag Along under the provisions of Section 8.9 below; and



- (ix) dissolution of the Company.

2.2 Each Manager shall serve as such until his or her membership in the Company is terminated or his or her replacement by a new Manager who has been elected by the unanimous affirmative vote of all Managers other than the Manager being replaced at a meeting called by the Managers for such a purpose. No Designee of a Manager may serve unless and until approved by the unanimous affirmative vote of all Managers other than the Manager being replaced at a meeting called by the Managers for such a purpose, and such Designee executes a counterpart of this Agreement.

2.3 Rights and powers of the Managers, by way of illustration but not by way of limitation, shall include the right and power to:

- (A) Authorize or approve all actions with respect to distribution of funds and assets in kind of the Company; acquire, secure or dispose of investments, including, without limitation, selling and otherwise disposing of assets of the Company; authorize or approve borrowing funds, or executing contracts, bonds, guarantees, notes, deeds, security agreements, mortgages and all other instruments to effect the purposes of this Agreement; and approve any and all other instruments and perform any acts determined to be necessary or advisable to carry out the intentions and purposes of the Company.
- (B) Perform any and all acts necessary to pay any and all organizational expenses incurred in the creation of the Company and in raising additional capital, including, without limitation, reasonable brokers' and underwriters' commissions, legal and accounting fees, license and franchise fees (it being understood that all expenses incurred in the creation of the Company and the commencement of the Company Business shall be borne by the Company); and compromise, arbitrate or otherwise adjust claims in favor of or against the Company and to commence or defend against litigation with respect to the Company or any assets of the Company as deemed advisable, all or any of the above matters being at the expense of the Company; and to execute, acknowledge and deliver any and all instruments to effect any and all of the foregoing.
- (C) Establish Company offices at such places as may be appropriate, hire and terminate Company employees and consultants, engage legal counsel, accountants and consultants, and otherwise arrange for the facilities and personnel necessary to carry out the purposes and Business of the Company, the cost and expense thereof and incidental thereto to be borne by the Company.



2.4 The Managers shall manage or cause to be managed the Business of the Company in a prudent and businesslike manner and shall devote such time to the Company Business as they shall, in their discretion exercised in good faith, determine is reasonably necessary for the conduct of such affairs. It is expressly understood and agreed that, subject to Sections 2.5 and 2.6 below, the Managers shall be required to devote their entire business time or attention to the Business of the Company.

2.5 The Members hereby acknowledge that a Member or Manager may, with prior disclosure to the Managers: (a) participate on Boards of Directors and Boards of Advisors of companies not engaged in Competitive Enterprises and (b) may invest in and, from time to time, participate in businesses which do not constitute Competitive Enterprises provided that no such participation may interfere in any way with the Member's or Manager's duties and responsibilities as a Manager to the Company. The Managers may not engage in Competitive Enterprises.

Notwithstanding any other provisions of this Agreement, the winding up of the practices or businesses conducted by the Managers prior to forming the Company, and the continued ownership and operation of the specific projects listed on Schedule B shall not be considered a Competitive Enterprise or an Affiliate.

2.6 In carrying out their duties hereunder, the Managers shall not be liable to the Company nor to any Member for the exercise of their good faith judgment of the best interests of the Company. The receipt of advice of counsel, and reliance thereon, that certain acts and omissions are within the scope of authority conferred by this Agreement or by law shall be conclusive evidence of good faith; however, good faith may be determined without obtaining such legal advice.

The Company does hereby indemnify and hold harmless the Managers and their agents, officers and employees as to third parties against and from any personal loss, liability or damages suffered as a result of any act or omission which the Managers believed, in good faith, to be in the best interests of the Company. Notwithstanding the foregoing, the Company's indemnification of the Managers and their agents, officers and employees as to a third party is only with respect to such loss, liability or damage which is not otherwise compensated for by insurance carried for the benefit of the Company. Insurance coverage for public liability, and all other insurance deemed necessary or appropriate by the Managers to the Business of the Company, shall be carried in such amounts and of such types as shall be determined by the Managers. Regardless of whether there is a disagreement as to whether the Company or such insurance is responsible, the Company will advance all costs and expenses should the insurance company decline to do so.



2.7 The Company may not employ or deal with any Member, including a Member who is a Manager, or any Affiliate of the Company, or any Member or Manager for the performance of services or the purchase of goods or property or the leasing of same without the prior unanimous approval of the Class A, Class B and Class C Members voting as a single class. If so approved, neither the Company nor any other Member shall have any rights in or to any income or profits derived by any Member, Manager or Affiliate from such other ventures or businesses as a result of entering into this Agreement.

2.8 The Managing Member shall be the "Tax Matters Partner" of the Company.

2.9 No later than the end of the sixth calendar month following the filing of the Company's initial Articles of Organization with the Clerk of the Virginia State Corporation Commission, the Managers will establish such committees of the Company, consisting of Managers, Members and others, in the sole discretion of the Managers, to undertake responsibility for certain decisions and actions of the Company assigned by the Managers. Such committees will be endowed by the Managers with the authority of the Managers to take such actions as are specifically assigned by the Managers and shall function in those respects as the alter ego of the Managers, with full power and authority to take such actions. The committees of the Managers shall be appointed by the unanimous vote of the Managers.

### III. COMPENSATION

3.1 The compensation of Members for their participation in the management and operations of the Business shall be determined by a Compensation Committee appointed by the unanimous affirmative vote of the Managers. The foregoing notwithstanding, the Compensation Committee shall be bound by the following:

- (A) Each of the Original Members shall receive a salary. These salaries shall constitute "guaranteed payments" under Section 707(c) of the Code, and shall not be payable to any Original Member after he or she is removed as a Manager for voluntarily ceasing to provide material management and/or operational services to the Company or after his or her Membership Interest is terminated for Just Cause pursuant to Section 8.4. The Compensation Committee may adjust salaries of the Original Members at the end of each of the Company's fiscal years. The intent of the Company and the Managers is that the salaries paid to the Original Members shall be adjusted incrementally from year to year, and not dramatically, so as to reflect consistent performance over a period of years, and that the bonuses granted under the provisions of



subsections B and C below will reflect extraordinary performance of one or more Original Members for the preceding quarter or year, as the case may be. To the extent the available Net Operating Cash remaining after deducting the Reserve required by the Managers is insufficient to pay salaries, the Original Members shall be paid proportionately from available Net Cash Flow in accordance with their relative stated salaries, and the unpaid portion of salaries shall be deferred until there is available Net Operating Cash sufficient to pay the deferred sums; provided, however, that if any unpaid salary is deferred for more than two full calendar months by reason of there being insufficient available Net Operating Cash, then such unpaid sums shall be foregone and no longer payable by the Company to the Original Members.

- (B) In addition to the salaries discussed above, the Compensation Committee shall decide periodically upon "additional guaranteed payments" under Section 707(c) of the Code, to those of the Members who warrant special recognition for their role in the Business, management and/or operations of the Company. The Compensation Committee will draft, and review and modify from time to time as deemed by them to be advisable, and publish to the Members, a written policy statement setting forth the compensation policy for Members and other employees. Among the criteria in such policy statement to be used by the Compensation Committee for deciding whether and to what extent an Original Member will receive "additional guaranteed payments" shall include but not be limited to such Person's: (i) accomplishments in bringing new business to the Company; (ii) expenditure of time on behalf of clients of the Company significantly beyond that of other Members; (iii) efforts to cross-sell business to other Members; (iv) participation in management functions of the Company that benefit the Company beyond that of other Members; (v) firm citizenship; and (vi) other factors deemed by the Compensation Committee to be relevant to such determination. Such "additional guaranteed payments" shall be made annually, and may be made more often but not more frequently than quarterly at the discretion and direction of the Managers. Nothing in this Section 3.1(B) shall require, however, the Compensation Committee to make "additional guaranteed payments" nor shall this Section 3.1(B) restrict the Compensation Committee from making "additional guaranteed payments" based upon any business related criteria.
- (C) In addition to the guaranteed payments discussed above, at or immediately after each fiscal year of the Company, the Compensation Committee shall distribute sums from the available Net Operating Cash remaining after



deducting the foregoing guaranteed payments and the Reserve required by the Managers, to the Class A, Class B and Class C Members proportionately in accordance with their relative Class A, Class B and Class C Membership Interests participating as a single class.

- (D) The Company shall create "equity pools" in which the Members (and other employees of the Company) may be entitled to participate at the sole discretion of the Managers, acting by unanimous vote. These "equity pools" shall be comprised of securities issued by clients to the Company as compensation for services rendered. Separate "equity pools" will be organized for different individual securities or combinations of securities, and shall have different or partially or fully overlapping participants, as the Managers, in their sole discretion, determine. The participants in each "equity pool" shall hold equal percentage interests in such "equity pool". To the extent a participant is otherwise entitled to participate in an "equity pool", such participant shall forfeit all of his or her interest in such "equity pool" if, within twelve (12) months of termination of any such participant's employment with or membership in the Company, such participant engages in any manner as owner, investor, manager, employee, independent contractor or agent with a Competitive Enterprise. Such "equity pools" shall be subject to insider trading policy and disclosure rules established by the Investment Policies Committee of the Company. The Investment Policies Committee shall create policies and procedures with respect to the "equity pools" and any other investments of the Company that require all investment activities to be of high ethical character and to comply with or exceed the requirements of all applicable guidelines, rules or regulations promulgated by the Securities Exchange Commission or the National Association of Securities Dealers.
- (E) Each of the Members employed by the Company shall be party to an independent contractor, in the case of The Poretz Group, Ltd., or employment agreement which will, among other provisions, be consistent with and incorporate the relevant provisions of this Section 3.1 by reference. Doug Poretz, each of the individual Members, The Poretz Group, Ltd., Weber Merritt Company and JCS Communications shall also be party to a Confidentiality, Non-Disclosure and Non-Solicitation Agreement which will, among other provisions, incorporate this Section 3.1 and Section 10.2 by reference.
- (F) The Company shall, within six (6) calendar months after the Company files Articles of Organization with the Clerk of the Virginia State Corporation Commission, by unanimous affirmative vote of the Managers, appoint a



Compensation Committee and an Investment Policies Committee, and such other standing committees as the Members deem necessary to the efficient management and operation of the Company.

- (G) Unless a different percentage is expressly stated herein, all decisions of the Compensation Committee shall require a two-thirds vote of the Compensation Committee members.

#### IV. MEMBERS

4.1 The Original Members are listed on Schedule A, which is attached hereto and made a part hereof. Additional Members shall be added to Schedule A as they acquire Membership Interests. Schedule A shall reflect each Member's name and address for service of notice, each Member's class of membership, the capital contribution of each Member, indicating the amount of cash contributed, the value of property contributed and/or the value of services contributed, and each Member's initial percentage Membership Interest.

4.2 The Mangers may create such classes of Members of the Company from time to time as shall in their discretion be deemed advisable, with or without voting rights and with or without rights to allocations and distributions of profits and/or distributions upon liquidation. Initially there shall be four (4) classes of Members of the Company, which are designated and shall have the rights described as follows:

- A. *Class A Members.* This class of Members shall consist of the Original Members, and shall have full voting rights and shall be entitled to allocations under Article VI (Profits, Losses and Accounting) and distributions under Articles VII (Non-Liquidating Distributions) and XII (Liquidation).
- B. *Class B Members.* This class of Members shall consist of Karen Vahouny and Esther Smith, and shall have full voting rights which they each shall assign by irrevocable proxy to Doug Poretz for so long as he is the Designee of The Poretz Group, Ltd. as a Member, and shall be entitled to allocations under Article VI (Profits, Losses and Accounting) and distributions under Articles VII (Non-Liquidating Distributions) and XII (Liquidation).
- C. *Class C Members.* This class of Members shall have limited voting rights as set forth in this Agreement, and shall have limited rights to distributions under Section 3.1(C) and Section 7.2 and full rights to distributions under Article XII



(Liquidation), but no right to allocations under Article VI (Profits, Losses and Accounting), except to the extent provided under Section 6.1(E) below.

- D. ***Class D Non-Voting Members.*** This class of Members shall consist of all persons other than Class A, Class B and Class C Members who are admitted as Members of the Company, and shall have no voting rights except as provided under Sections 8.6 and 8.7 below, and no right to allocations under Article VI (Profits, Losses and Accounting) except to the extent provided under Section 6.1(E) below, or to distributions under Articles VII (Non-Liquidating Distributions) and XII (Liquidation), except as provided under Sections 8.6 and 8.7 below.

4.3 No Member shall be personally held accountable for any of the debts, losses, claims, judgments or any of the liabilities of the Company beyond the Member's contributions to the capital of the Company, except as otherwise provided by law.

4.4 No person shall be allowed to become a Member of the Company without first agreeing to the terms of this Agreement and executing any other documents as may be required by the Managers (including, but not limited to the non-solicitation agreement described in Section 10.2 below). Nothing herein shall be construed as limiting the right of the Managers to impose different terms than those reflected in this Agreement upon prospective Members.

4.5 The names, addresses, Membership Interests and initial Capital Contributions of the Members, who agree that their respective initial Capital Contributions will be made simultaneously with their respective execution of this Agreement, are set forth in Schedule A.

4.6 No Member shall be required to make any Capital Contribution in addition to his or her initial Capital Contribution.

## V. MEETINGS OF MEMBERS

5.1 ***Annual meeting.*** The annual meeting of the Members of the Company, for the consideration of reports to be laid before such meeting and for the transaction of such other business as may properly be brought before such meeting, shall be held at the principal office of the Company in the Commonwealth of Virginia or at such other place, either within or without of the Commonwealth of Virginia, as may be designated by the Managers and specified in the notice of such meeting. Each such meeting shall be held on the last Tuesday of each September, if not a legal holiday, and, if a legal holiday, then on the next succeeding business day.



**5.2 *Special meetings.*** Special meetings of the Members of the Company may be held on any day, when called by the Managers, or by the Members who hold more than sixty (60%) of the Membership Interests entitled to vote. Upon written request delivered and received either by courier or other hand delivery to the Managers, such Managers or Members entitled to call a meeting of Members, shall forthwith cause notice to be given to the Members entitled to such notice. The meeting must be held on a date not less than five (5) nor more than thirty (30) days after the receipt of such request, as the Managers or Members may fix. If such notice of the meeting is not given by the Managers within ten (10) days after the receipt of such request, the person or persons calling the meeting may fix the time of the meeting and give notice thereof in the manner provided for by law or this Agreement, or cause such notice to be given by any designated representative. Each special meeting shall be called to convene between 8:00 a.m. and 6:00 p.m., and shall be held at the principal office of the Company.

**5.3 *Notice of meetings.*** Not less than five (5) nor more than thirty (30) days before the date fixed for a meeting, written notice stating the time and place of the meeting (and, in the case of a special meeting, the purposes of such meeting) shall be given.

The notice shall be delivered and received either by courier or other hand delivery to each Member entitled to notice of the meeting who is a Member of record as of the day preceding the day on which notice is given, or, if a record date is duly fixed, as of that date. If mailed, the notice shall be addressed to the Members at their respective addresses as they appear in the records of the Company.

**5.4 *Quorum; adjournment.*** Except as may otherwise be required by law, the Articles of Organization or this Agreement, at any meeting of the Members, the Members holding more than sixty (60%) percent of the Class A, Class B and Class C Membership Interests participating as a single class, either present in person or by proxy, shall constitute a quorum for such meeting.

**5.5 *Proxies.*** Class A, Class B and Class C Members entitled to vote may vote in person or by proxy. The person appointed as proxy need not be a Member. Unless the writing appointing a proxy otherwise provides, the presence at a meeting of the person who appointed a proxy shall not operate to revoke the appointment. Notice to the Company, in writing or in open meeting, of the revocation of the appointment of a proxy shall not affect any vote or action previously taken or authorized.

**5.6 *Voting.*** For all purposes of this Agreement, all votes of Class A Members entitled to vote shall be in proportion to their then existing Membership Interests at the



time of such vote, and for matters in which Class B Members are entitled to vote under this Agreement, in proportion to the then existing Class A and Class B Membership Interests at the time of such vote, voting as a single class, and for matters in which Class B and Class C Members are entitled to vote under this Agreement, in proportion to the then existing Class A, Class B and Class C Membership Interests at the time of such vote, voting as a single class. In counting votes, the percentage Membership Interest of each voting Member shall be multiplied by 100, and the total of such votes shall constitute all of the votes entitled to be cast on any action to be taken on behalf of the Company. Except where the law or this Agreement requires a different percentage, the Members shall take no action unless there is an affirmative vote of Members holding more than sixty (60%) percent of the Membership Interests entitled to vote.

**5.7 Actions Without Meeting.** The Members entitled to vote may vote by written action in lieu of a meeting signed in person or by proxy by the holders of the Membership Interests required under this Agreement to take such action.

## VI. PROFITS, LOSSES AND ACCOUNTING

### 6.1 Allocation of profits and losses:

(A) Except as otherwise provided herein, net profits and losses of the Company (including profits and losses attributable to the sale or other disposition of all or any portion of the Company's property) shall be allocated among or borne by the Class A and Class B Members in proportion to the relative percentages of Class A and Class B Membership Interests listed in Schedule A, which is attached hereto and made a part hereof.

(B) Notwithstanding any provision of this Agreement to the contrary, solely for federal income tax purposes, income, gain, loss and deduction attributable to property contributed to the Company by a Member shall be allocated among the Members so as to take into account any variation between the tax basis of the property and the fair market value thereof at the time of contribution, in accordance with the requirements of Section 704(c) of the Code, as amended, or its counterpart in any subsequently-enacted Internal Revenue Code, and the applicable Treasury Regulations (the "Regulations") thereunder.

(C) Company profits, gains, losses and deductions shall be allocated to the Members in accordance with the portion of the year during which the Members have held their respective Membership Interests. All items of income and loss shall be considered to have been earned ratably over the fiscal year of the Company, unless



otherwise agreed to by Members holding more than sixty percent (60%) of the Class A Membership Interests entitled to vote, except that gains and losses arising from the disposition of assets shall be taken into account as of the date thereof.

(D) Notwithstanding any provision of this Agreement to the contrary, in the event the Company is entitled to a deduction for imputed interest under any provision of the Code on any loan or advance from a Member, or to a compensation deduction under Code Section 83 or any similar provision of the Code relating to the receipt of property by a Member, such deduction shall be allocated solely to the Member making the loan or advance or receiving the property.

(E) Notwithstanding any provision of this Agreement to the contrary, to the extent the payment of any expenditure by the Company, or any distribution to a Member under Section 3.1(C) or Section 7.2 or otherwise is treated as a distribution to a Member for federal income tax purposes, there shall be a gross income allocation to such Member in the amount of such distribution.

(F) Notwithstanding any provision of this Agreement to the contrary, if items of income or gain to be allocated include income or gain treated as ordinary income for federal income tax purposes because they are attributable to the recapture of depreciation under Section 1245 or 1250 of the Code, then such income or gain, to the extent treated as ordinary income, shall be allocated to, and reported by, the Members in proportion to their then respective cumulative allocations of depreciation.

#### *6.2 Accounting:*

(A) The Company books shall be kept in accordance with generally accepted accounting principles consistently applied. The Managers shall make all decisions as to accounting matters and may cause the Company to make elections under the Internal Revenue Code. The Company will use the cash receipts and disbursements method for purposes of Code Section 446 if desirable and allowable, unless the Managers decide otherwise.

(B) The fiscal year of the Company shall end on December 31 or such other date as agreed upon by the Managers.

(C) The terms "net profits" and "net losses," as used herein, shall mean the net amount of the Company's profits and losses, as determined for federal income tax purposes, and shall also include each Member's share of income described in Section



705(a)(1)(B) of the Code, any expenditures described in Section 705(a)(2)(B) of the Code, any expenditures described in Section 709(a) of the Code which are not deducted or amortized in accordance with Section 709(b) of the Code, and losses not deductible pursuant to Section 267(a) or 707(b) of the Code, or as agreed to by Members holding more than sixty percent (60%) of the Class A Membership Interests as of the last day of the accounting period (special allocations).

**6.3 Member's capital accounts:**

(A) There shall be maintained a capital account for each Member in accordance with this Section 6.3. The amount of each Member's contribution of cash, property and/or services to the capital of the Company shall be credited to such Member's capital account. From time to time, each Member's share of profits, losses and distributions shall be credited or charged, as the case may be, to such Member's capital account. The determination of a Member's capital account, and any adjustments thereto, shall be made in a manner consistent with tax accounting and other principles set forth in Section 704 of the Code and applicable Regulations thereunder.

(B) If, at any time, the Company shall suffer a loss as a result of which the capital account of any Member shall be a negative amount, such loss shall be carried as a charge against that Member's capital account, and that Member's share of subsequent profits of the Company shall be applied to erase such capital account deficit.

(C) Immediately following the transfer of any Membership Interest in the Company, the capital account of the transferee-Member shall be equal to the capital account of the transferor-Member attributable to the transferred Membership Interest.

(D) For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Member's capital account, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes, taking into account any adjustments required pursuant to Section 704 of the Code and the applicable Regulations thereunder.



## VII NON-LIQUIDATING DISTRIBUTIONS

### *7.1 Tax Payment Distributions:*

The Company shall distribute to each Class A and Class B Member from Net Operating Cash of the Company, within thirty (30) days after each calendar quarter, a sum equal to the amount determined to be required to pay such Member's federal and state estimated tax computed at the Tax Distribution Rate for income allocated to such Member for such calendar quarter, less all distributions to such Member for such calendar quarter under Sections 3.1.B and 3.1.C; provided that only Net Operating Cash remaining after an allowance for any Reserve may be distributed; and provided, further, that in the event the available Net Operating Cash is inadequate to make a full distribution to each Class A and Class B Member, distributions will be made to Class A and Class B Members in proportion to their relative Membership Interests. "Tax Distribution Rate", as used in this Section 7.1, means forty-five percent (45%) or such other percentage as may be determined by the Managers from time to time as the approximate highest current marginal combined federal, state and local income tax rate (determined after giving effect to the deduction (if allowed) of state and local income taxes for federal income tax purposes) as is applicable to a person ultimately taxed on the income of a Member.

### *7.2 Non-liquidating distributions from net proceeds of asset sale:*

The Company shall distribute to all Class A Members, Class B Members and Class C Members from the net proceeds of any non-liquidating sale, exchange or other disposition for consideration of the Company's assets, within thirty (30) days after such transaction, in proportion to their relative Membership Interests, participating as a class; provided that only the net proceeds of such transaction remaining after an allowance for any Reserve may be distributed.

## VIII. TRANSFER OF MEMBER'S MEMBERSHIP INTEREST

8.1 Without the prior affirmative vote of 80% of the Members entitled to vote, voting as a single class, no Member shall sell, assign or exchange all or any part of his or her Membership Interest to any Person other than (i) to the Company or one or more Members, (ii) for no consideration to a Related Person or upon the death or disability of a Member as provided in Sections 8.6 and 8.7, respectively, unless agreed to by all of the Class A Members, (iii) subject to the Drag Along/Tag Along provisions of Section 8.9 below, or (iv) in the event of retirement of a Member described in Section 9.2 below where the Company defaults in the payment for such Membership Interest.



It is expressly understood that non-voting Members will not have the right to vote on the admission or expulsion of Members or on the right of other Members to sell, assign or exchange their Membership Interests.

8.2 No assignment of any Membership Interest in compliance with this Article VIII, even if it results in the substitution of the assignee as a Member herein, shall release the assignor from those liabilities to the Company which survive such assignment.

8.3 *Termination of Member's Membership Interest Following Voluntary Cessation of Services To the Company.* Should a Class A, Class B or Class D Member at any time voluntarily cease being employed by or voluntarily cease providing material participation in the management and/or operation of the Company, or whose material participation in management and/or operation of the Company is terminated by the Company without Just Cause [which does not include the death (Section 8.6 below), disability (Section 8.7 below), any termination for Just Cause (Section 8.4 below), or retirement under Section 9.2 below)], the Company shall have the right within sixty (60) months following the first day of the next calendar month following such termination of employment or participation, (the "Option Period"), by the unanimous affirmative vote of all the Managers other than a Member who is the subject of such action, to terminate the Member's membership in the Company, expel him or her as a Member, and, by a written notice to such Member, to require such Member to sell his or her Membership Interest to the Company or to the Class A Members at its then Fair Market Value. Subject to the right of the Managers in their sole discretion by affirmative vote of all of the Managers to accelerate one or more payments or to defer one or more payments up to fifty percent (50%), at least twenty five per cent (25%) of the purchase price shall be paid in cash at closing and the balance in as many as five (5) equal installments under a promissory note payable over the period commencing with the closing of the sale of such terminated Member's Membership Interest and ending with the date which is one hundred and eighty (180) days following the last day of the Option Period, with a final balloon payment of the accrued and unpaid balance of principal and interest payable on the date which is one hundred and eighty (180) days following the last day of the Option Period. Interest on such promissory note shall be computed and payable at one percent (1%) over the prime rate as established by the Wall Street Journal on the date of the closing, subject to increase to a default rate equal to the greater of (i) fifteen percent (15%), or (ii) five percent (5%) over the prime rate at the time of default in the event payment is not made when due, or within any applicable cure or grace period. There shall be no penalty for pre-payment. In the event Section 8.5 below applies, a Member's right to receive continued payments under this Section 8.3 shall be conditioned upon, among other things, his or her full compliance with the proviso set



forth in Section 8.5. In the event the Company does not exercise the option to repurchase a Class A or Class B Member's Membership Interest within the Option Period, such Class A or Class B Member shall have the option, exercisable by such Member by a written notice by courier or other hand delivery to the Company's Managing Member at the Company's principal place of business, to sell, and the Company shall purchase, such Class A or Class B Member's Membership Interest upon the terms of this Section 8.3. The closing shall take place no later than one hundred and eighty (180) days following the date the Company or the selling Member notifies the other of its intent to exercise its option.

"Option Period", as used in this Section 8.3, means the time between the termination of employment or participation which triggers the Company's option and the fifth anniversary of such termination of employment or participation. One or more Class A Members shall have the right but not an obligation, with agreement of the Company and other Class A Members, to participate with or in lieu of the Company in the purchase of a selling Member's Membership Interest under this Section 8.3.

**8.4 Termination of Member's Membership Interest Following A Termination for Just Cause.** The Company may terminate a Member's membership in the Company at any time for Just Cause by the unanimous affirmative vote of all the Managers (other than the Manager-Member who is the subject of such action), expel him or her from the Company and require such Member to sell his or her Membership Interest to the Company or to the Class A Members. The purchase price for such Membership Interest shall be the greater of: (i) ten percent (10%) of its then Fair Market Value; (ii) such Member's capital account in the Company, or (iii) one dollar (\$1.00). Payment of the purchase price shall be paid in cash or its equivalent upon completion of the sale of such Membership Interest, but in no event later than sixty (60) days following the expulsion.

**8.5 Severance Pay to Member Terminated Without Just Cause.** If at any time and for any reason other than Just Cause (in which case there is no severance payment due) the Company terminates a Member's employment with or material participation in the management and/or operation of the Company, the Member shall be entitled, as additional compensation, to the greater of (i) a six-month pro rata portion of his or her payment under Section 3.1(A), or (ii) a pro rata portion of such payment based on the number of days of the fiscal year of the Company prior to such Member ceasing to participate in management and/or operation of the Company divided by three hundred sixty-five (365), payable in installments on the same schedule that the Company makes payroll over the period of time described under clause (i) or (ii) above, whichever is applicable; provided that (a) the Member complies with the terms of the non-solicitation



agreement specified in Section 10.2, (b) the Member releases the Company from any and all claims he or she believes he or she may have against the Company or its Members (except those claims relating to payments to which the Member is expressly entitled under this Agreement or any employment agreement with the Company), and (c) the Member foregoes any other employment for a period equal to or greater than the period such Member receives such guaranteed payment pursuant to this Section 8.5. In the event the Member engages in other employment during the period described in the preceding sentence, the payment due under this Section 8.5 shall be offset and reduced by the value of compensation in any form whatsoever to which such Member is entitled under such other employment.

8.6 Any other provision of this Agreement notwithstanding, a Class A or Class B Member, may provide for the transfer of his or her Membership Interest to his or her spouse (including a domestic partner) by a testamentary document and, in the event of the death of such Member, such Membership Interest shall be automatically converted to a Class D Membership Interest and the Member's spouse shall be substituted as a Class D Member. A spouse becoming a Class D Member under this provision may elect that his or her Membership Interest be purchased under the terms of Section 8.3 above at a value determined as though such Membership Interest were still a Class A or Class B Membership Interest, as the case may be, provided the election is made within twelve (12) months following the deceased Member's death. For a period of sixty (60) months following such Member's death, the value of a deceased Member's Membership Interest upon any sale to the Company or to the Members shall be determined as though such Membership Interest were still a Class A or Class B Membership Interest, as the case may be. Class D Members which are converted from Class A or Class B Members under this Section 8.6 shall not be entitled to vote on matters of the Company subjected to vote, except that such Class D Members shall be entitled to vote as though they were Class A or Class B Members in proportion to their relative percentage Membership Interests with Class A, Class B and Class C Members, voting as a single class, on any action that can reasonably be expected to dilute the rights of such Class D Members under this Section 8.6 or to substantially reduce the profits of the Company. In the event that substantially all of the Membership Interests or assets of the Company are purchased in a single transaction or in a series of related transactions within twelve (12) months following the purchase of any Membership Interest under this Section 8.6 from a Member ("Selling Member"), the Company and the Members receiving consideration from such purchase of the Membership Interests or assets of the Company shall adjust the purchase price of such Membership Interest to the Selling Member and shall adjust any distributions to the Members under Article XII (Liquidation), if applicable, to cause the Selling Member to receive in the aggregate,



together with the purchase price earlier paid to him or her, the proportionate share of the consideration paid for the Membership Interests or assets of the Company as though the Selling Member were still a Member at the time of the sale of the Membership Interests or of the Company. The Company shall, to the extent the Managers determine that the cost of premiums for such insurance would not be an unreasonable burden on the Company, purchase and maintain insurance on the life of one or more Members to facilitate the purchase of such Members' Membership Interest, and such insurance must be used by the Company or Members to purchase such Selling Member's Membership Interest.

8.7 Upon a Class A or Class B Member becoming Disabled, his or her Membership Interest shall automatically convert to a Class D Membership Interest and the Member or his or her committee, if one is appointed, shall become a Class D Member. A Class D Member covered by this provision may elect that his or her Membership Interest be purchased under the terms of Section 8.3 above at a value determined as though such Membership Interest were still a Class A or Class B Membership Interest, as the case may be, provided that the election is made within twelve (12) months following the Member becoming Disabled. For a period of sixty (60) months following such Member's becoming Disabled, the value of a Disabled Member's Membership Interest upon any sale to the Company or to the Members shall be determined as though such Membership Interest were still a Class A or Class B Membership Interest, as the case may be. Class D Members which are converted from Class A or Class B Members under this Section 8.7 shall not be entitled to vote on matters of the Company subjected to vote, except that such Class D Members shall be entitled to vote as though they were Class A or Class B Members in proportion to their relative percentage Membership Interests with Class A, Class B and Class C Members, voting as a single class, on any action that can reasonably be expected to dilute the rights of such Class D Members under this Section 8.7 or to substantially reduce the profits of the Company. In the event that the Company or substantially all of its assets are purchased in a single transaction or in a series of related transactions within one (1) year following the purchase of any Membership Interest under this Section 8.7 from a Member ("Selling Member"), the Company and the Members receiving consideration from such purchase of the Company or its assets shall adjust the purchase price of such Membership Interest to the Selling Member and shall adjust any distributions to the Members under Article XII (Liquidation), if applicable, to cause the Selling Member to receive in the aggregate, together with the purchase price earlier paid to him or her, the proportionate share of the consideration paid for the Membership Interest or the assets of the Company as though the Selling Member were still a Member at the time of the sale of the Membership Interest or of the Company.



8.8 No Member shall have the right to transfer, assign or convey any portion or all of his or her economic interest in the Company without the prior written approval of Managers, other than such Member (if a Manager), holding more than eighty percent (80%) of the Class A Membership Interests, which can be conditioned on restrictions applicable to such economic interest deemed by the Managers to be in the best interest of the Company. Any attempt by a Member to transfer, assign or convey such economic interest without first obtaining such written consent shall be void and of no effect, and such transferee or assignee shall have no interest in the Company.

8.9 *Drag Along/Tag Along.* Each Member hereby irrevocably appoints the Company, by its Managing Member, as the Member's agent and attorney-in-fact, with full power of substitution for and in such Member's name, to transfer or otherwise dispose of such Member's Membership Interest and to do any and all things and to execute any and all documents and instruments reasonably necessary to transfer and/or dispose of such Membership Interest, such power of attorney not to become operable until Members holding more than eighty percent (80%) of the Class A Membership Interests of the Company elect to enter into any transaction to transfer or dispose of their Membership Interests (including one which may constitute a Change in Control), in which event all, but not less than all, of the Membership Interests shall be transferred or disposed of in such transaction. Any transfer or other disposition of all Membership Interests pursuant to the foregoing power of attorney shall be made upon substantially the same terms and conditions (including sale price) applicable to a transfer or other disposition by the Members electing to enter into such transaction. The foregoing power of attorney shall be irrevocable and coupled with an interest and shall not terminate by operation of law, whether by the bankruptcy or adjudication of incompetence of a Member or the occurrence of any other event. In the event of the death of a Member, the designated heir or intended successor in interest to the deceased Member must agree to this provision in writing as a condition precedent to gaining possession of the deceased Member's Membership Interest.

8.10 For all purposes under this Article VIII and in the event of termination or removal of the Managing Member for Just Cause, as contemplated under Section 2.1 above, the terminated Member shall have the right to submit the determination of whether Just Cause existed for such termination to arbitration in accordance with the provisions of Section 15.1 below, and in such event all parties waive any rights to mediation under the provisions of Section 15.2 below. Until there is a final decision rendered in such arbitration or in any appeal or other proceeding with respect to the determination of whether Just Cause existed for such termination, the terminated Member shall be terminated as Managing Member or Member, as the case may be, as



provided under this Agreement, subject to the right to be reinstated and paid any foregone compensation at such time as there is a final determination in such arbitration or in any appeal or other proceeding with respect to the determination of whether Just Cause existed for such termination in favor of the terminated Member.

## IX. DISSOCIATION AND RETIREMENT

9.1 *Dissociation:* In the event a Class A, Class B or Class D Member voluntarily withdraws from membership in the Company, such event shall constitute a "dissociation" within the meaning ascribed to such term under Section 13.1-1040.1 of the Virginia Code. No Member has the right to withdraw from membership in the Company other than as permitted by the express terms of this agreement.

9.2 *Retirement:* Any Member, and the Designee of any Member that is not an individual, who is at least sixty (60) years of age and has been employed by the Company for at least three (3) years, may retire from the Company if he or she has provided written notice of such retirement to the Company at least one (1) year prior to the proposed retirement date. In the event of such retirement of a Member or a Designee of a Member that is not an individual, such Member shall sell his or her Membership Interest to the Company or to the Class A Members, and the Company or Class A Members shall buy such Membership Interest, under the terms of Section 8.3 above and without the necessity for any approval by the Managers or the Members.

## X. CONFIDENTIALITY, NON-DISCLOSURE AND NON-SOLICITATION

10.1 *Confidentiality and Non-Disclosure:* At no time shall a Manager or Member disclose any trade secrets of the Company to any person except in the discharge of his or her official duties to the Company. In addition no Member, either while a Member and for a period of thirty-six (36) consecutive months following the termination of such membership (and no Designee of a Member that is not an individual during such time frame), shall disclose to any person any "Confidential Information" of the Company (regardless of whether such information would be deemed a "trade secret" at common law), including but not limited to, the Company's marketing and development plans, the names and addresses of clients, operating and sales techniques and methods and any other proprietary information concerning the Company which is not publicly available, and any information about the other Members or their business affairs or relationships with the Company which is not publicly available. Upon termination of his or her membership in the Company, each Member shall immediately return to the Company all documents or materials of any nature which are in his or her or any Affiliate's possession or control which he or she or such Affiliate obtained from

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the Company or compiled or produced for the Company or a client of the Company while a Member.

**10.2: Non-Solicitation:**

- A. **Employees:** Each Member agrees that while he or she is a Member, and following the termination of such membership, neither the Member nor any Affiliate shall contact any employee of the Company for the purpose of inducing such employee to sever his or her relationship with the Company or hire any such employee; provided, however, that a Member may employ employees of the Company that were employed by such Member or any Affiliate before the Effective Date of this Agreement.
  
- B. **Clients:** While a Member of the Company and for a period of twelve (12) consecutive months after the termination of such membership, a Member and all Affiliates shall not directly or indirectly contact or accept from any person (except for the benefit of the Company) any business of a similar nature to that performed by the Company from any person who, at the time of, or at any time during the twelve (12) months preceding such termination, was an active client of the Company or was actively pursued by the Company for business; provided, however, that a Member may contact and accept business from any client that such Member or any Affiliate introduced to the Company, or for which such Member or any Affiliate provided professional services of a similar nature to that performed by the Company, before the effective date of this Agreement ("Excluded Clients"), provided further that any such client is identified on Schedule C hereof as being excluded from the prohibitions of this Section 10.2. Each Original Member shall provide the list of clients to be set forth on Schedule C prior to his or her execution of this Agreement.

**10.3 Separate Agreement:** Each Designee of a Member, each individual Member, The Poretz Group, Ltd., Weber Merritt Company and JCS Communications shall each be required to execute, no later than forty-five (45) days from his or her execution of this or a counterpart of this Agreement, a separate Confidentiality, Non-Disclosure and Non-Solicitation Agreement consistent with this Sections 3.1(E) and 10.2 restricting the ability of Members to solicit its employees or clients for a period of twelve (12) months following the termination of a Member's membership in the Company.



## XI. DISSOLUTION AND TERMINATION

11.1 Upon the occurrence of the following events, the Company shall be dissolved:

- (A) dissociation of the last Member of the Company, unless within six (6) months following the occurrence of the event that caused the dissociation the personal representative of the last Member agrees in writing to continue the Business of the Company until admission of the personal representative of such Member or its nominee or designee to the Company as a Member, effective as of the occurrence of the event that caused the dissociation of the last Member;
- (B) the Company ceases its Business operations; or
- (C) all of the Class A, Class B and Class C Members participating as a single class, affirmatively vote to dissolve and terminate the Company.

11.2 In the event of the dissolution of the Company, the Business and affairs of the Company shall continue to be governed by this Agreement during the winding up of the Company's Business and affairs. No dissociated Member who has withdrawn from membership in the Company in a withdrawal which is not permitted by the express terms of this Agreement shall participate in such winding up of the Company's Business and affairs.

## XII. LIQUIDATION

12.1 Upon the dissolution and/or termination of the Company, the Managers (other than any Manager who is dissociated from the Company pursuant to Section 13.1-1040.1 of the Virginia Code) shall proceed with the liquidation of the Company and sale of its assets. The proceeds of such liquidation shall be applied and distributed in the following order or priority:

- (A) to the payment of the debts and liabilities of the Company (other than any loans or advances that may have been made by the Members to the Company) and expenses of liquidation;
- (B) to the payment of any loans or advances made to or for the benefit of the Company by a Member, or for any compensation owed to any of the Managers, but if the amount available for repayment shall be insufficient, then the amount available shall be distributed among the applicable Members through the use of a



fraction whose numerator is the amount owed to a single Member and whose denominator is the total amount owed to all Members (thus, for example, if Member A were owed \$2,000 and Member B were owed \$1,000, and the amount available to compensate them was \$600, then Member A would receive \$400 (2/3 of \$600) and Member B would receive \$200 (1/3 of \$600));

- (C) to the setting up of any Reserve. Said Reserve shall be paid over by the Managers to any financial institution, as escrow agent, with trust authority in the county (or district) in which the principal accounting records of the Company have been maintained in order to be held by it for the purpose of disbursing such Reserve in payment of any of the aforementioned contingencies or liabilities; and at the expiration of such period as the Managers shall deem advisable, the financial institution shall distribute the balance remaining in the manner provided in this Article XII and in the order named above;
- (D) to the Members, in proportion to the respective capital accounts of the Members, if any, until such capital accounts are reduced to zero, including payments due to Class D Members as required under 8.6 or 8.7; and
- (E) the balance, if any, to the Class A, Class B and Class C Members in proportion to their respective Membership Interests, considered as a single class.

12.2 When all of the acts provided for in Section 12.1 have been accomplished, the Managers shall file such Articles of Dissolution and any other certificate required in the Commonwealth of Virginia and in any other state that may be required by law.

### XIII. AMENDMENT OF THE AGREEMENT

13.1 This Agreement may be amended by the Managers without the approval of the Members, provided that such amendment is:

- (A) solely for the purpose of clarification and does not change the substance hereof;
- (B) for the purpose of substituting a Member in accordance with the provisions of this Agreement;
- (C) merely an implementation of the terms of this Agreement; or
- (D) in the opinion of counsel for the Company, necessary or appropriate to satisfy current requirements of the Internal Revenue Code of 1986, as amended, with



respect to limited liability companies taxed as partnerships, or any federal or state securities laws or regulations, provided there are no resulting material adverse effects on the Members or their Membership Interests.

Any amendment made pursuant to (A) or (C) may be made effective as of the date of this Agreement. All Members shall be notified as to the substance of any such amendment to this Agreement and, upon request, shall be furnished a copy thereof.

13.2 All other amendments to this Agreement shall require the approval of the Members holding more than eighty percent (80%) of the Class A, Class B and Class C Membership Interests entitled to vote, voting as a single class.

#### XIV. MISCELLANEOUS

##### 14.1 *Definitions:*

The following definitions apply to capitalized terms used this Agreement:

- A. "Affiliate" means any Persons related by more than fifty percent (50%) common equity ownership or voting or management control.
- B. "Bankruptcy" shall be deemed to occur when a Member files a petition in bankruptcy or voluntarily takes advantage of any bankruptcy or insolvency laws, is adjudicated a bankrupt or when a petition or answer is filed proposing the adjudication of a Member as a bankrupt and such Member either consents to the filing of such complaint or the answer is not discharged or denied prior to the expiration of sixty (60) days following the date of filing.
- C. "Business" means the operation of a highly strategic and integrated organization in the following specialties: public affairs, investor/financial communication, research, media relations, grassroots, branding and marketing, issue advertising and strategic planning
- D. "Capital Contribution" means the amount of money or the agreed-upon Fair Market Value of property contributed to the Company by a Member or a Member's predecessor in interest on the date of contribution.
- E. "Change in Control" means:



(a) regardless of whether the Company is subject to the reporting requirements of the Exchange Act, the date on which a "person" or "group", as defined in Section 13(d) of the Exchange Act (excluding the Company and any fiduciary holding securities under an employee benefit plan of the Company), becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% or more of the combined voting power of the Company's then total outstanding voting securities other than solely by reason of a repurchase of voting securities by the Company;

(b) the date on which the Company consolidates with or merges with or into another Person or conveys, transfers or leases, in any transaction or series of related transactions, all or substantially all of its assets to any Person, or any Person consolidates with or merges with or into the Company, in any event pursuant to a transaction in which the outstanding Membership Interests of the Company are reclassified or changed into or exchanged for cash, securities or other property, other than any such transaction where (i) the outstanding voting securities of the Company are changed into or exchanged for voting securities of the surviving entity and (ii) the persons who were the beneficial owners of the Company's voting securities immediately prior to such transaction beneficially own immediately after such transaction 50% or more of the total outstanding voting power of the surviving entity; or

(c) the date on which the Company is liquidated or dissolved or adopts a plan of liquidation or dissolution.

- F. "Class A Member" means any Member holding Class A Membership Interests.
- G. "Class B Member" means any Member holding Class B Membership Interests
- H. "Class C Member" means any Member holding Class C Membership Interests.
- I. "Class D Member" means any Member holding Class D Non-Voting Membership Interests.
- J. "Code" means the Internal Revenue Code of 1986, as amended or replaced.
- K. "Competitive Enterprise" means an entity that performs work of the same nature as that performed by the Company in the following specialties: public affairs, investor/financial communication, research, media relations, grassroots, branding and marketing, issue advertising and strategic planning.



- L. "Confidential Information" means knowledge or information not generally known to the public or in the organizations engaged in the public affairs, investor relations and financial communications, media relations, grassroots, branding and marketing, issue advertising and/or strategic planning industries (including information conceived, discovered or developed by a Manager or Member), that a Member or Manager learns of, possess, or to which a Member or Manager has access through his or her employment by the Company, related to the Company, its business partners, or the business of its customers or potential Customers. Confidential Information shall not include information which is or becomes publicly known through no breach of this Agreement or other act or omission of the Member or Manager. The phrase "publicly known" shall mean readily accessible to the public in a written publication, and shall not include information which is only available by a substantial searching of the published literature, and information the substance of which must be pieced together from a number of different publications and sources. The burden of proving that information or skills and experience are not Confidential Information shall be on the party asserting such exclusion. "Customer or Potential Customer" for the purpose of this paragraph means each and every person and/or entity who or which, at any time during the one (1) year prior to termination of the Member's or Manager's membership or employment with the Company or which such Member or Manager knew: (i) contracted for, was billed for, or received services from the Company or (ii) was in contact with such Member or Manager or in contact with another representative of the Company concerning public affairs, investor relations and financial communications, media relations, grassroots, branding and marketing, issue advertising and/or strategic planning
- M. "Designee" means a person designated by any Member that is not an individual under this Agreement, or otherwise designated in writing delivered by any Member to and approved by the unanimous affirmative vote of the Managers, as the exclusive representative of such Member, in its capacity as Member and/or Manager, as the case may be, with full authority to vote and to otherwise act in all respects as a Member and/or Manager, as the case may be, so long as such Member remains a Member and/or a Manager, as applicable
- N. "Disabled" means, when referring to a Member, that such Member the disability or incapacity such Member which substantially prevents him or her from performing the essential functions of his or her position of management or employment with the Company for twelve consecutive (12) months.



- O. "Effective Date" means the date upon which all of the Class A Members identified in Section 2.1 above have executed this Agreement.
- P. "Fair Market Value" means, as it applies to the Company, the value determined by the mutual agreement of all of the Managers and the Member whose Membership Interest is being valued. In the event that the parties can not agree to a Fair Market Value, then the value shall be determined by a certified business valuation analyst with expertise in valuing businesses engaged in the Business (a "Qualified Analyst") acceptable to the Managers other than the Member whose Membership Interest is being valued under such valuation (the "Departing Member") and the Departing Member. If the Managers other than the Departing Member and the Departing Member can not agree on such Qualified Analyst, each shall appoint a Qualified Analyst, and such Qualified Analysts shall appoint a third Qualified Analyst, who will solely conduct the determination of Fair Market Value. The final determination of Fair Market Value as determined above shall be final and binding on the Company and the Members.
- Q. "Just Cause" means, after written notice to the Member and a reasonable opportunity to cure: (i) the Member's willful breach of fiduciary duty to the Company or its Members, (ii) the Member's willful breach of material terms of this Agreement resulting in financial harm to the Company, (iii) [Intentionally Omitted], (iv) conviction of a felony (except that conviction of a felony will not be a ground for termination of the Member where the Member can establish that the conviction did not result in any material harm to the Company nor will it impede his or her ability to perform his or her duties on behalf of the Company as either a Manager, employee or Member), (v) repeated narcotics or alcohol abuse (except that such abuse will not be a ground for termination if the Member can establish that he or she has enrolled in a recognized rehabilitation program and that there is a reasonable likelihood that there will be no future abuse), (vi) the willful failure of a Member within sixty (60) days after full execution of this Agreement to execute and deliver to the Company an Employment Agreement as contemplated under subsection 3.1.E above, or a Confidentiality, Non-Disclosure and Non-Solicitation Agreement as contemplated under Section 10.3 above, (vii) the Member's terminating withdrawal from membership in the Company or (viii) a breach of the Indemnity Agreement executed by the Original Members, the Class B Members and Doug Poretz on the Effective Date. In the case of any Member that is not an individual, a determination of Just Cause with respect to such Member's Designee, as though he or she were substituted for the such Member under provisions of this Agreement relating to Just Cause, will constitute Just Cause with respect to such Member as a Member or Manager. No act, or failure



to act, on the Member's part shall be considered "willful" unless he or she has acted, or failed to act, with an absence of good faith and without a reasonable belief that his action or failure to act was in the best interests of the Company.

- R. "Manager" means an individual who is appointed by the Class A Members to serve as a manager of the Company.
- S. "Managing Member" means Michael Petruzzello or such succeeding Manager as may be appointed by the other Managers to serve as managing member of the Company.
- T. "Member" means a Class A, Class B, Class C or Class D Member of the Company, or any other class of Member created by the Managers.
- U. "Membership Interest" means the interest, expressed as a percentage on Schedule A, held by a Class A, Class B, Class C or Class D Member, or any other class of Membership created by the Managers.
- V. "Net Operating Cash" means at any point in time all the cash from sources other than borrowing available to the Company after deduction of the amounts necessary to satisfy all of the Company's current financial obligations, on an accrual basis, existing at such point in time as determined by the Managers from time to time.
- W. "Person" means any domestic or foreign individual, corporation, limited liability company, partnership, trust, business trust, joint venture or any other association or entity.
- X. "Related Person" means one or more of a spouse, lineal descendants or ancestors, siblings, adopted children and/or a domestic partner (or to a trust solely for their benefit)
- Y. "Reserve" means an amount of Net Operating Cash which the Managers may deem reasonably necessary in order to meet any contingent or unforeseen liabilities or obligations of the Company arising out of, or in connection with, the Business of the Company.

**14.2 Notices:** Any and all notices or other communications which may be sent to any Member shall be sent to the address noted in Schedule A, unless the Company is notified in writing with regard to a change of address. Notices or other communications



shall be deemed to have been given only when delivered and received either by courier or other hand delivery addressed as set forth above.

**14.3 Governing Law:** This Agreement shall be governed by, and construed in accordance with, the laws of the Commonwealth of Virginia, without regard to its conflict or choice of law provisions.

**14.4 Counterparts:** This Agreement may be executed in multiple parts, each of which shall be deemed an original and all of which together shall constitute one agreement, by each of the parties hereto on the dates indicated in the acknowledgment of said parties, notwithstanding that all of the parties are not signatories to the same part or that signature pages from different parts are combined. The signature of any party to any part shall be deemed to be a signature to and may be appended to any other part.

**14.5 Construction:** Words of gender used in this Agreement shall be interpreted to include another gender, and words in the singular number shall be interpreted to include the plural (and vice-versa), when the sense so requires. The captions to each Article are inserted only as a matter of convenience and for reference purposes and in no way define, limit or describe the scope or intent of this Agreement, nor in any way affects it.

**14.6 Entire Understanding:** This Agreement contains the entire understanding between the parties and supersedes any prior understandings and agreements between them concerning the subject matter within. There are no representations, agreements, arrangements or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement which are not described herein.

**14.7 Compliance With Laws:** This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations of the jurisdictions in which the Company does business. If any provision of this Agreement or its application to any person or circumstance shall, for any reason and to any extent, be found to be invalid or unenforceable, the remainder of this Agreement or the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

**14.8 Binding on Assigns:** This Agreement, and all the terms and provisions hereof, shall be binding upon and shall inure to the benefit of all Members and their respective legal representatives, heirs, permitted successors and permitted assigns.



**14.9 Intent Regarding Poretz.** Notwithstanding any other provision of this Agreement, it is the intent of the Members that any reference to The Poretz Group, Ltd. or any other Member that is not an individual in its capacity as a Member or Manager of the Company, or to any representations or covenants made thereby to the Company, such reference shall, in addition, include and bind such Member's Designee. In addition, for all purposes under this Agreement, including without limitation the provisions under Articles VIII (Transfer of a Member's Membership Interest) and Article IX (Terminating Withdrawal and Retirement), all provisions that would apply only if the Member were an individual are intended to, and shall, apply to such Member's Designee as though he or she were substituted for such Member for such purpose, and the Membership Interest of such Member in the Company shall be subject to the same terms and conditions that would have otherwise been applicable to that Membership Interest if such Designee had owned that Membership Interest individually.

## **XV. DISPUTE RESOLUTION**

**15.1** Any claim or controversy arising out of or relating to this Agreement or a breach hereof shall, upon the request of any party involved, be submitted to and settled by arbitration in Washington, D.C. in accordance with the rules then in effect of JAMS (or any other form of arbitration mutually acceptable to the Members so involved). The decision made pursuant to such arbitration shall be binding and conclusive on all Members involved; and judgment upon such decision may be entered in the highest court of any forum, state or federal, having jurisdiction. The prevailing party in such arbitration shall be entitled to its reasonable attorneys' fees. If the subject of the arbitration involves the then current operations of the Company or has arisen under Section 8.4 or by mutual agreement of the Company and/ or each individual Member or Manager involved as a party to the dispute subject to arbitration, the parties shall use their reasonable best efforts to complete the arbitration within sixty (60) days of notice of the dispute being provided to the parties by the aggrieved party, and such arbitration shall be conducted pursuant to the expedited arbitration procedures of the American Arbitration Association.

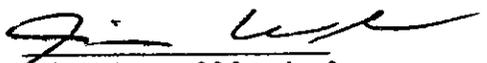
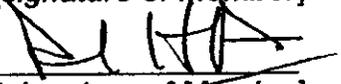
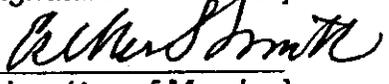
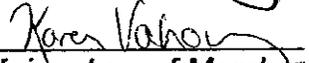
**15.2** At any time prior to or within thirty (30) days after a demand for arbitration pursuant to Section 15.1 above, any party may request mediation of any dispute. If the



their reasonable best efforts to complete the arbitration within sixty (60) days of notice of the dispute being provided to the parties by the aggrieved party, and such arbitration shall be conducted pursuant to the expedited arbitration procedures of the American Arbitration Association.

15.2 At any time prior to or within thirty (30) days after a demand for arbitration pursuant to Section 15.1 above, any party may request mediation of any dispute. If the parties cannot agree upon a neutral mediator, any party may request the appointment of such mediator from any recognized entity offering mediation services. Such mediation must be held within thirty (30) days of the request for mediation. The cost of such mediation shall be borne equally by the Company and the Member who is the party to such mediation.

IN WITNESS WHEREOF, the Members have entered into this Agreement and have hereunto set their hands to multiple copies hereof, as of the effective date first written above.

MEMBERS:  
  
[signature of Member]  
  
[signature of Member]  
  
[signature of Member]  
  
[signature of Member]  
  
[signature of Member]  
  
[signature of Member]  
  
[signature of Member]

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**SCHEDULE A**

**MEMBERS/COMPANY MEMBERSHIP INTERESTS**

**CLASS A MEMBERS:**

<b>Name and Address</b>	<b>Contribution</b>	<b>Membership Interest</b>
Michael Petruzzello	\$300.00	30%
The Poretz Group, Ltd.	\$169.40	16.94%
Bernie Merritt	\$170.00	17%
James D. Weber	\$170.00	17%
Judy Smith	\$140.00	14%

**CLASS B MEMBERS:**

Karen Vahouny	\$28.60	2.86%
Esther Smith	\$22.00	2.2%

**CLASS C MEMBERS:**

**CLASS D MEMBERS:**



## SCHEDULE B

The following shall not be deemed Competitive Enterprises for purposes of this Agreement:

- *The "Big Ideas Company" of Judy Smith;*
- *The "Capital Voice" project of Jim Weber and Bernie Merritt*



Schedule C

**Clients excluded from the prohibitions of Section 10.2:**

For Jim Weber and Bernie Merritt:

Amer. Assoc. of Nurse Anesthetists  
Amer. College of Gastroenterologists  
America Leads on Trade  
American Gaming Association  
American Institute of Certified Public Accountants  
American Insurance Association  
Arthur Andersen  
Assoc. Builders and Contractors  
AT&T  
Bankruptcy Issues Council  
Better World Campaign  
Boeing  
Boston Edison        Northeast Utilities  
Boyd Gaming  
Deloitte & Touche  
Edison Electric Institute  
Empower America  
Federation of American Hospitals  
FM Watch  
GE Capital  
GTECH  
Harrahs Entertainment, Inc.  
Health Benefits Coalition  
Hewlett Packard  
Illinois Association of HMO's  
Keep America Connected  
Keep America Moving Campaign  
KPMG  
Kraft Foods, Inc.  
Lockheed Martin  
Long Island Lighting  
Mastercard, Intl.



Medical Device Manufacturers Association  
Metabolife  
MGM/Mirage  
Mortgage Insurance Companies of America  
National Ass'n of REALTORS®  
Northwest Airlines  
Norwest Mortgage Corporation  
Nuclear Energy Institute  
Ogden Projects, Inc.  
Oklahoma Gas & Electric  
Premier, Inc.  
Repeal PUHCA NOW! Coalition  
The Business Roundtable  
The Coalition for Change  
Thompson Development, Ltd-Grand Cayman, BWI  
U.S. Chamber of Commerce  
United Nations Foundation  
VISA, USA  
Visiting Nurse Assoc. of America  
Wal-Mart  
Wells Fargo

**For The Poretz Group, Doug Poretz, Karen Vahouny and Esther Smith:**

Amazing Media  
AnswerLogic  
AXENT  
Blackboard  
Brivo  
Crosswalk.com  
eMotion  
Giga  
Halifax  
Integral Systems  
MultiCity  
OAO Technology  
On-Site Sourcing

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Paravant  
SAIC  
Spacelabs Medical  
Telezoo  
Transcrypt  
VerticalNet  
WebNet-Marketing  
World Airways  
Zeroplus.com

**JAS Communications**

Motown  
Value Options Health Care  
Suzanne De Passe  
Berry Gordy  
Cicely Tyson  
QVC  
Nixon & Associates  
Chris Weber  
Juann Howard  
Hidden Beach Records  
Monica Lewinsky  
Bernard Lewinsky  
Marcia Lewis  
Just Us, Inc  
Home Shopping Network  
Duke Ellington School of the Arts  
Rush Communications  
Russell Simmons  
Checkers ,llc