**T****he Units represented by this Operating Agreement have not been registered under the Securities Act of 1933 or any state securities laws. No offer, sale, transfer, pledge, or other disposition of the Units represented by this Operating Agreement may be made unless pursuant to an effective registration statement filed under the Securities Act of 1933 and applicable state securities laws, or unless the Company receives an opinion of counsel, in form and from counsel acceptable to the Company, that the offer, sale, transfer, pledge, or other disposition is exempt from the registration requirements of the Securities Act of 1933 and applicable state securities laws.**

**ZooFaroo, LLC**

**Operating Agreement**

This Operating Agreement (“**Agreement**”) is among ZooFaroo, LLC, an Oregon limited liability company (the “**Company**”), and the interest holders of the Company set forth on Schedule 2.1.

# DEFINITIONS

Unless defined elsewhere in this Agreement, capitalized terms used in this Agreement will have the meanings ascribed to them in the attached Appendix A.

# COMPANY

## Company Information. Schedule 2.1 sets forth the Company information.

## Amendment. The Company will promptly amend and restate Schedule 2.1 to account for any changes in the information set forth on Schedule 2.1 resulting from matters that occur in accordance with the Act, the Articles of Organization, and this Agreement. Upon an amendment, the Company will promptly deliver to each Member a copy of the amended and restated Schedule 2.1.

# PURPOSES AND POWERS

## The Company may develop, implement, and provide an online barter community, and do all things incidental to that purpose. The Company will not conduct or promote any other business.

# MANAGEMENT AND MANAGEMENT RIGHTS OF MEMBERS

## Management. The Company is a member-managed limited liability company.

## Rights of Members. Except as otherwise provided in this Agreement, any matter relating to the business of the Company may be exclusively decided by a Majority of Units.

## Duties and Standard of Conduct.

### A Member’s duty of loyalty to the Company and the other Members includes the following:

#### to account to the Company and hold for it any property, profit or benefit derived by the Member in the conduct and winding up of the Company’s business or derived from a use by the Member of Company property, including the appropriation of a Company opportunity;

#### except as provided in Section 4.3(e) and Section 4.3(f), to refrain from dealing with the Company in a manner adverse to the Company and to refrain from representing a person with an interest adverse to the Company, in the conduct or winding up of the Company’s business; and

#### to refrain from competing with the Company in the conduct of the business of the Company before the dissolution of the Company, without first offering the Company or the other Members an opportunity to participate in the investment, business, transaction or activity.

### A Majority of Disinterested Units may authorize or ratify, after full disclosure of all material facts, a specific act or transaction that otherwise would violate the duty of loyalty.

### A Member’s duty of care to the Company and the other Members in the conduct and winding up of the business of the Company is limited to refraining from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law.

### A Member will discharge the duties to the Company and the other Members under the Act or under this Agreement and exercise any rights consistent with the obligation of good faith and fair dealing.

### A Member does not violate a duty or obligation under the Act or under this Agreement merely because the Member’s conduct furthers the Member’s own interest.

### A Member may lend money to or transact other business with the Company, provided that any loan or transaction between the Member and the Company must be authorized or ratified by a Majority of Disinterested Units after full disclosure of all material facts.

### Loans and other transactions between the Company and a Member are binding on the parties in the same manner as transactions between the Company and persons who are not Members, subject to other applicable law.

## Limitation of Liability and Indemnification. Except as otherwise provided by law, a Majority of Disinterested Units may cause the Company to:

#### indemnify any person for acts or omissions as a Member; and

#### eliminate the liability of a Member to the Company or the other Members for damages from such acts or omissions.

## Liability of Members. The debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Company. A Member is not personally liable for a debt, obligation, or liability of the Company solely by reason of being or acting as a Member.

# CONTRIBUTIONS

## Initial Contributions. Each Member will, on or before the date of the Member’s contribution set forth on Schedule 2.1:

### contribute to the Company the contribution of the Member set forth on Schedule 2.1; and

### deliver to the Company such deeds, bills of sale, certificates of title, assignments, and other documents that the Company may reasonably request for the contribution, in form and substance reasonably satisfactory to the Company.

## Additional Contributions. Except as otherwise provided in this Agreement, no Interest Holder is required to make any additional contributions to the Company.

## No Interest on Contributions. Except as otherwise provided in this Agreement, no Interest Holder will be paid any interest on any contribution.

## Return of Contributions. Except as otherwise provided in this Agreement, no Interest Holder will have the right to receive any return of any contribution.

# ALLOCATION OF PROFITS AND LOSSES

## Allocation of Profits and Losses.

### Profits and Losses will be allocated among the Interest Holders in proportion to their Units.

### If a Member is admitted to the Company as described in Section 9.1, then the Profits and Losses of the Company will be allocated among the Interest Holders as follows:

#### Profits and Losses that would have been realized on the date of admission of the additional Member if all the assets of the Company were then sold at their fair value will be allocated among only the Interest Holders of the Company who are Interest Holders immediately prior to the new Member’s admission based on the respective shares of Profits and Losses of such preexisting Interest Holders before such admission;

#### thereafter the amount of Profits or Losses so allocated will be treated as an adjustment to the contributions made by the preexisting Interest Holders to the Company, except that if the provisions of this Section 6.1(b) have been applied previously by the Company in connection with the admission of a new Member, the Profits and Losses allocated pursuant to this Section 6.1(b) will be only those Profits and Losses realized since the most recent admittance of a new Member; and

#### Profits and Losses realized by the Company subsequent to the date of admission of the additional Member will be allocated among all the Interest Holders, including the additional Member, based on the respective shares of Profits and Losses of all the Interest Holders after such admission.

## Transfer of Units. If an Interest Holder sells, exchanges, or liquidates some or all of the Interest Holder’s Units during a taxable year, then to the extent permitted by IRC § 706, Profits and Losses will be allocated between the former Interest Holder and the Interest Holder’s successor-in-interest as follows:

### except as otherwise provided in Section 6.2(c), the former Interest Holder will be allocated the pro rata part – based on the portion of the taxable year that has elapsed prior to the sale, exchange, or liquidation – of the amount of the Profits and Losses attributable to the Units that the former Interest Holder would have been allocated if the former Interest Holder had remained an Interest Holder until the end of the Company taxable year;

### except as otherwise provided in Section 6.2(c), the Interest Holder’s successor-in-interest will be allocated the pro rata part – based on the portion of the taxable year that has elapsed after the sale, exchange, or liquidation – of the amount of the Profits and Losses attributable to the Units that the Interest Holder’s successor-in-interest would have been allocated if the Interest Holder’s successor-in-interest had been an Interest Holder from the beginning of the taxable year of the Company; and

### if the Company has one or more extraordinary nonrecurring items during the taxable year:

#### the Company taxable year with respect to the Units will close on the date of such sale, exchange, or liquidation;

#### the former Interest Holder will be allocated the amount of the Profits and Losses attributable to the Units for the Company taxable year ending with the date of such sale, exchange, or liquidation; and

#### the Interest Holder’s successor-in-interest will be allocated the amount of the Profits and Losses attributable to the Units after the date of such sale, exchange, or liquidation.

# ACCOUNTING, TAXES, AND BANKING

## Books of Account. The Company will keep complete and accurate books of account and records in a manner sufficient to effect and carry out this Agreement. The books of account and records will be kept in accordance with sound accounting practices consistently applied.

## Taxable Year. The Company will have a taxable year ending on December 31.

## Bank Accounts. All Company funds will be deposited in one or more bank accounts in the Company’s name. The Members will determine the banks, the types of accounts, and the individuals who have authority with respect to the accounts. Company funds will not be commingled with the funds of any Member.

## Tax Returns. The Company will cause to be prepared all federal, state, and local income tax returns for the Company. Within 90 days after the end of a taxable year, the Company will deliver to each Interest Holder:

### any financial statements of the Company for the taxable year;

### a statement showing the share of Company income, gain, loss, credit, and deduction for income tax purposes allocated to each Interest Holder for the taxable year; and

### any other information concerning the Company that the Interest Holder may require to complete the Interest Holder’s federal, state, and local income tax returns.

## Reporting. Each Interest Holder will report the Interest Holder’s share of Company income, gain, loss, credit, and deduction for income tax purposes in a manner consistent with this Agreement.

## Tax Matters Member. The Company will have a tax matters member who will have all of the powers and obligations of a “tax matters partner” under IRC § 6231(a)(7). The tax matters member must be a Member, and must be designated or replaced by the Members.

## Tax Elections. The Members may make all of the Company’s tax elections permitted under the Internal Revenue Code, including but not limited to elections under IRC § 754.

# DISTRIBUTIONS

## Allocation of Interim Distributions. Distributions of cash or other assets of the Company before the dissolution and winding up of the Company will be allocated among the Interest Holders in proportion to their Units.

## Right to Interim Distributions. Except as provided in ORS 63.205 to ORS 63.235, an Interest Holder is entitled to receive distributions from the Company before the dissolution and winding up of the Company to the extent and at the times as the Members may determine.

# ISSUANCE OF UNITS

## Issuance of Units. The Company may issue Units only upon the consent of all Members and:

### if the person is a party to this Agreement;

### if the person becomes a party to this Agreement by signing a Joinder Agreement in the form attached as Exhibit A; or

### with respect to options or other rights to acquire Units, if the exercise of the option or other right is contingent upon the person becoming a party to this Agreement by signing a Joinder Agreement in the form attached as Exhibit A.

## Consent. Each party to this Agreement consents to a person that is issued Units, options, or other rights to acquire Units by the Company becoming a party to this Agreement if the person signs a Joinder Agreement in the form attached as Exhibit A.

# DISSOLUTION

## Dissolution. The Company will be dissolved and its affairs will be wound up upon the first to occur of the following:

### upon reaching the time for dissolution, if any, specified in the Articles of Organization;

### by the consent of all the Members;

### at such time as the Company has no Members;

### upon administrative dissolution by the Secretary of State under ORS 63.651; and

### upon entry of a decree of judicial dissolution under ORS 63.671.

## Distribution of Assets Upon Dissolution. Upon the winding up of the Company, the assets of the Company will be distributed and applied in the following priority:

### to the extent permitted by law, to creditors, including Interest Holders and former Interest Holders who are creditors, in satisfaction of liabilities of the Company; and

### to the Interest Holders in proportion to their Units.

# REPRESENTATIONS AND WARRANTIES OF INTEREST HOLDERS

## Each Interest Holder represents and warrants to each other party as follows:

## Status.

### If Interest Holder is an individual, Interest Holder is:

#### an individual at least 18 years of age; and

#### a bona fide resident and domiciliary of the State specified under the Interest Holder’s name on Schedule 2.1 and has no present intention of becoming a resident of any other State or jurisdiction.

### If Interest Holder is an entity, Interest Holder is duly organized and validly existing under the laws of the State specified under the Interest Holder’s name on Schedule 2.1.

## Authority. Interest Holder has full power and authority to sign and deliver this Agreement and to perform all of Interest Holder’s obligations under this Agreement.

## Binding Obligation. This Agreement is the legal, valid, and binding obligation of Interest Holder, enforceable against Interest Holder in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, or other similar laws of general application or by general principles of equity.

## No Conflicts. The signing and delivery of this Agreement by Interest Holder and the performance by Interest Holder of all of Interest Holder’s obligations under this Agreement will not:

### conflict with Interest Holder’s articles of incorporation, bylaws, articles of organization, operating agreement, certificate of limited partnership, partnership agreement, trust agreement, or other similar organizational documents, if any;

### breach any agreement to which Interest Holder is a party, or give any person the right to accelerate any obligation of Interest Holder;

### violate any law, judgment, or order to which Interest Holder is subject; or

### require the consent, authorization, or approval of any person, including but not limited to any governmental body.

## Speculative Investment. Interest Holder understands that:

### the Units are a speculative investment and involve a high degree of risk of loss of Interest Holder’s investment; and

### Interest Holder may be unable to liquidate Interest Holder’s investment in the Units because the Units are subject to substantial transfer restrictions and because no public market exists for the Units.

## Investment Intent.

### Interest Holder is acquiring the Units solely for Interest Holder’s own account, for investment, and not with a view to or for resale in connection with any distribution of the Units.

### Interest Holder has no oral or written agreement or plan to sell, transfer, or pledge or otherwise dispose of the Units to any person.

### Interest Holder understands that Interest Holder must bear the economic risk of owning the Units for an indefinite period of time.

## No Registration. Interest Holder understands that the Units have not been registered under the Securities Act of 1933 or any state securities laws and that the Company is not obligated to register the Units.

## Release and Indemnification. Interest Holder understands that the Company is relying on Interest Holder’s representations, warranties, and covenants in this Agreement to issue the Units pursuant to one or more exemptions from the registration and qualification requirements of the Securities Act of 1933 and applicable state securities laws. Interest Holder releases and will defend and indemnify the Company and each present and future member, assignee, manager, officer, and authorized representative of the Company for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to reasonable attorney’s fees, resulting from or arising out of a breach by Interest Holder of any representation, warranty, or covenant in this Section 11.

# TRANSFER PROVISIONS

The Transfer Provisions attached as Appendix B are part of this Agreement.

# SPOUSAL CONSENT

Contemporaneously with the signing and delivery of this Agreement, each party who has a spouse that is not a party to this Agreement will deliver to the Company a Spousal Consent in the form attached as Exhibit B signed by the party’s spouse. If a party marries an individual that is not a party to this Agreement after the date of this Agreement, the party will promptly deliver to the Company the Spousal Consent signed by the party’s spouse.

# TERMINATION

## Agreement. This Agreement will terminate with respect to all parties upon the earliest to occur of the following:

### upon the written agreement of the parties;

### upon the merger of the Company with another business entity, if the Company is not the surviving business entity; and

### upon the conversion of the Company into another business entity.

## Interest Holder.

### This Agreement will terminate with respect to an Interest Holder if the Interest Holder sells, exchanges, gifts, or otherwise liquidates all of the Interest Holder’s Units in accordance with this Agreement.

### Each Interest Holder will sign a Joinder Agreement in the form attached as Exhibit A if the Interest Holder sells all of the Interest Holder’s Units in accordance with this Agreement, is granted a security interest in some or all of the Units, and subsequently forecloses the security interest and reacquires some or all of the Units.

# EQUITABLE RELIEF

## **The parties acknowledge that the remedies available at law for any breach of this Agreement will, by their nature, be inadequate, and will cause irreparable harm to the Company and the parties. Accordingly, each party may obtain injunctive relief or other equitable relief – without posting a bond or security – to restrain a breach or threatened breach of this Agreement or to specifically enforce this Agreement, without proving that any monetary damages have been sustained.**

# GENERAL

## No Assignment. No party may assign or delegate any of the party’s rights or obligations under this Agreement to any person unless the assignment or delegation is expressly permitted by this Agreement.

## Binding Effect. This Agreement will be binding on the parties and their respective heirs, personal representatives, successors, and permitted assigns, and will inure to their benefit.

## Notices. All notices or other communications required or permitted by this Agreement:

### must be in writing;

### must be delivered to the parties at the addresses set forth on Schedule 2.1, or any other address that a party may designate by notice to the other party; and

### are considered delivered:

#### upon actual receipt if delivered personally, by fax, or by a nationally recognized overnight delivery service; or

#### at the end of the third business day after the date of deposit, if deposited in the United States mail, postage pre-paid, certified, return receipt requested.

## Waiver. No waiver will be binding on a party unless it is in writing and signed by the party making the waiver. A party’s waiver of a breach of a provision of this Agreement will not be a waiver of any other provision or a waiver of a subsequent breach of the same provision.

## Severability. If a provision of this Agreement is determined to be unenforceable in any respect, the enforceability of the provision in any other respect and of the remaining provisions of this Agreement will not be impaired.

## Further Assurances. The parties will sign other documents and take other actions reasonably necessary to further effect and evidence this Agreement.

## No Third-Party Beneficiaries. The parties do not intend to confer any right or remedy on any third party.

## Termination. The termination of this Agreement, regardless of how it occurs, will not relieve a party of obligations that have accrued before the termination.

## Survival. All provisions of this Agreement that would reasonably be expected to survive the termination of this Agreement will do so.

## Attachments. Any exhibits, schedules, and other attachments referenced in this Agreement are part of this Agreement.

## Remedies. The parties will have all remedies available to them at law or in equity. All available remedies are cumulative and may be exercised singularly or concurrently.

## Governing Law. This Agreement is governed by the laws of the State of Oregon, without giving effect to any conflict-of-law principle that would result in the laws of any other jurisdiction governing this Agreement.

## Venue. Any action or proceeding arising out of this Agreement will be litigated in courts located in Multnomah County, Oregon. Each party consents and submits to the jurisdiction of any local, state, or federal court located in Multnomah County, Oregon.

## Attorney’s Fees. If any arbitration or litigation is instituted to interpret, enforce, or rescind this Agreement, including but not limited to any proceeding brought under the United States Bankruptcy Code, the prevailing party on a claim will be entitled to recover with respect to the claim, in addition to any other relief awarded, the prevailing party’s reasonable attorney's fees and other fees, costs, and expenses of every kind, including but not limited to the costs and disbursements specified in ORCP 68 A(2), incurred in connection with the arbitration, the litigation, any appeal or petition for review, the collection of any award, or the enforcement of any order, as determined by the arbitrator or court.

## Entire Agreement. This Agreement contains the entire understanding of the parties regarding the subject matter of this Agreement and supersedes all prior and contemporaneous negotiations and agreements, whether written or oral, between the parties with respect to the subject matter of this Agreement.

## Signatures. This Agreement may be signed in counterparts. A fax transmission of a signature page will be considered an original signature page. At the request of a party, each other party will confirm a fax-transmitted signature page by delivering an original signature page to the requesting party.

[*signature page to follow* | *remainder of page intentionally left blank*]

***Signature Page***

ZooFaroo, LLC Operating Agreement

Dated effective: August 10, 2011

|  |
| --- |
| **Company:**  ZooFaroo, LLC  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  By: Joshua Provonchee |

|  |
| --- |
| **Interest Holders:** |

|  |
| --- |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Joshua Provonchee |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Joel A. Hokkanen |

**Appendix A**

**Definitions**

“**Act**” means the Oregon Limited Liability Company Act, as amended from time to time.

“**Adjusted Cash Flow**” means the net income of the Company before the payment of any wages to the Members.

“**Articles of Organization**” means the document described in ORS 63.047 for the purpose of forming the Company, including articles of organization as they may be amended or restated, articles of conversion, and articles of merger.

“**Assignee**” means a person with an ownership interest in the Company who is not a Member and who does not have any of the rights and obligations of a Member specified in the Act, the Articles of Organization, or this Agreement, except the right to receive and retain distributions, as and when made, and allocations of Profits and Losses.

“**Bankruptcy**” means, with respect to a person:

### assignment by the person for the benefit of creditors;

### commencement of a voluntary bankruptcy case by the person;

### adjudication of the person as bankrupt or insolvent;

### filing by the person of a petition or answer seeking for the person any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or rule;

### filing by the person of an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the person in any proceeding of this nature;

### seeking, consenting to, or acquiescing in the appointment of a trustee, receiver, or liquidator of the person or of all or any substantial part of the person’s properties;

### commencement of an involuntary bankruptcy case against the person that has not been dismissed on or before the 120th day after the commencement of the case; or

### appointment, without the person’s consent, of a trustee, receiver, or liquidator either of the person or of all or any substantial part of the person’s properties that is not:

#### vacated or stayed on or before the 90th day after appointment; or

#### vacated on or before the 90th day after expiration of a stay.

“**Call Option Triggering Event**” means any event specified in Section 5.1 of the Transfer Provisions attached as Appendix B.

“**Call Option Units**” means:

### in the case of a Call Option Triggering Event under the Transfer Provisions attached as Appendix B, the Units owned by the Interest Holder to whom the Call Option Triggering Event occurred that are transferred pursuant to the judgment for the annulment or dissolution of the Interest Holder’s marriage; and

### in the case of any other Call Option Triggering Event, all of the Units owned by the Interest Holder to whom the Call Option Triggering Event occurred.

“**Dissolution**” means, with respect to an entity:

### the judicial dissolution of the entity;

### the administrative dissolution of the entity, but only after the applicable statutory period for reinstatement, if any, expires; or

### any other dissolution of the entity, but only after the applicable statutory period for revocation of dissolution, if any, expires.

“**Interest Holder**” means a person who is a Member or an Assignee.

“**Majority of Disinterested Units**” means disinterested Members whose Units exceed 50% of the outstanding Units of all disinterested Members.

“**Majority of Units**” means Members whose Units exceed 50% of the outstanding Units of all Members.

“**Member**” means a person with an ownership interest in the Company and all of the rights and obligations of a member specified in the Act, the Articles of Organization, and this Agreement.

“**Other Member**” means, with respect to a particular Call Option Triggering Event, a Member other than the Member, if any, to whom the Call Option Triggering Event occurred.

“**Profit**” and “**Loss**” means for each taxable year of the Company – or other period for which profits and losses must be computed – the Company’s taxable income or loss determined in accordance with IRC § 703(a), with the following adjustments:

### all items of income, gain, loss, deduction, or credit required to be stated separately under IRC § 703(a)(1) will be included;

### any tax-exempt income of the Company not otherwise taken into account in this definition will be included;

### any expenditures of the Company under IRC § 705(a)(2)(B) – or treated as such under Treas Reg § 1.704-1(b)(2)(iv)(i) – not otherwise taken into account in this definition will be excluded;

### gain or loss resulting from any taxable disposition of property will be computed by reference to the adjusted book value of the property disposed of, notwithstanding the fact that the adjusted book value of the property differs from the adjusted basis of the property for federal income tax purposes;

### in lieu of the depreciation, amortization, or cost recovery deductions allowable in computing taxable income or loss, there will be taken into account the depreciation or amortization computed for book purposes; and

“**Transfer**” means any transfer, including but not limited to any sale, exchange, gift, encumbrance, foreclosure of an encumbrance, or attachment, regardless of whether the transfer occurs voluntarily or involuntarily, by operation of law, or because of any act or occurrence.

### “**Transfer Notice**” means a notice delivered under Section 4 of the Transfer Provisions attached as Appendix B that sets forth:

### the names of the proposed transferees;

### the number of Units that the Member proposes to Transfer;

### the type of proposed Transfer;

### the proposed price of the Units, if applicable; and

### the proposed other terms and conditions of the Transfer, including but not limited to the payment terms, if applicable.

“**Units**” means units that evidence an ownership interest in the Company.

**Appendix B**

**Transfer Provisions**

# DEFINITIONS

Unless defined elsewhere in this Agreement, capitalized terms used in these Transfer Provisions will have the meanings ascribed to them in Appendix A.

# RESTRICTION ON TRANSFER

## Restriction. No Transfer of Units may be made unless the Transfer is expressly permitted or required by this Agreement.

## Securities Laws. No offer or Transfer of Units may be made unless pursuant to an effective registration statement filed under the Securities Act of 1933 and applicable state securities laws, or unless the Company receives an opinion of counsel, in form and from counsel satisfactory to the Company, that the offer or Transfer is exempt from the registration requirements of the Securities Act of 1933 and applicable state securities laws.

## Transferees.

### No Transfer of Units may be made unless the transferee is a party to this Agreement, or becomes a party to this Agreement by signing a Joinder Agreement in the form attached as Exhibit A.

### If a Transfer of Units expressly permitted or required by this Agreement is made to a person other than the Company the transferee will be an Assignee with respect to the Units until the transferee becomes a Member pursuant to Section 7.1.

### If a transferee becomess a Member with respect to the Units transferred:

#### the transferee is liable for any obligations of the former holder of the transferee’s Units to make contributions under ORS 63.180; and

#### the former holder of the transferee’s Units is not released from the former holder’s liability to the Company to make contributions under ORS 63.180.

## Consent. Each party to this Agreement consents to a permitted transferee becoming a party to this Agreement if the permitted transferee signs a Joinder Agreement in the form attached as Exhibit A.

## Prohibited Transfers. Any Transfer of Units that is not expressly permitted or required by this Agreement will be null and void and have no force or effect unless the Company is required by applicable law to recognize the Transfer or unless the Company and all of the Members elect to recognize the Transfer.

## Indemnification. Each Interest Holder will defend and indemnify the Company and each present and future member, assignee, manager, officer, and authorized representative of the Company for, from, and against any and all claims, actions, proceedings, damages, liabilities, and expenses of every kind, whether known or unknown, including but not limited to reasonable attorney’s fees, resulting from or arising out of any Transfer of Units by the Interest Holder that is not expressly permitted or required by this Agreement.

# PERMITTED TRANSFERS

An Interest Holder may Transfer Units in accordance with this Section 3, subject to the terms and conditions of this Agreement.

## Prior Consent. An Interest Holder may Transfer Units with the prior written consent of all of the other Members.

## Company or Other Interest Holders. An Interest Holder may, upon 20 days’ written notice to the Company and the other Interest Holders, Transfer Units to the Company or to one or more of the other Interest Holders.

## Merger or Conversion. An Interest Holder may Transfer Units in accordance with a plan of merger or plan of conversion approved by the Company.

## Death. Subject to Section 5 of these Transfer Provisions, an Interest Holder may Transfer Units by devise, intestate succession, or operation of law upon the Interest Holder’s death.

## Dissolution of Marriage. Subject to Section 5 of these Transfer Provisions, an Interest Holder may Transfer Units pursuant to a judgment for the annulment or dissolution of the Interest Holder’s marriage.

# RIGHT OF FIRST REFUSAL

## Transfer Notice. If a Member desires to Transfer Units to one or more specified transferees in a manner that is not expressly permitted under Section 3 of these Transfer Provisions or required by this Agreement, the Member may give a Transfer Notice to the Company and the other Members.

## Company’s Option to Buy.

### For 30 days after the delivery of the Transfer Notice, the Company will have the option to buy some or all of the Units set forth in the Transfer Notice:

#### at the price and on the terms and conditions set forth in the Transfer Notice, if the proposed Transfer is a sale for cash or a sale for an obligation to pay cash; or

#### at the price determined in accordance with Section 8 of these Transfer Provisions and on the terms and conditions set forth in 8.3 of these Transfer Provisions, if any portion of the proposed Transfer is not a sale for cash or a sale for an obligation to pay cash.

### The Company may exercise the option by delivering to the Member a notice stating that the option is exercised and specifying the number of Units for which the option is exercised.

## Sale to the Company and the Other Members. If the option under Section 4.2 of these Transfer Provisions is exercised:

### the Company will buy from the Member who gave the Transfer Notice – and the Member who gave the Transfer Notice will sell to the Company –the number of Units for which the option was exercised by the Company, subject to the terms and conditions of this Agreement;

### the sale will occur in accordance with Section 10 of these Transfer Provisions.

## Right to Sell to Others. If the option under Section 4.2 of these Transfer Provisions is not exercised with respect to all of the Units set forth in the Transfer Notice, the Member who gave the Transfer Notice may Transfer the Units to which the option was not exercised but only if the Transfer is:

### made to the transferees set forth in the Transfer Notice;

### the type of Transfer set forth in the Transfer Notice;

### made at the price set forth in the Transfer Notice, if applicable;

### made on the other terms and conditions set forth in the Transfer Notice, including but not limited to the payment terms, if applicable; and

### completed within 30 days after the date that the other Members’ option under Section 4.3 of these Transfer Provisions expires.

# CALL OPTION TRIGGERING EVENTS

## Call Option Triggering Events. Each of the following is a Call Option Triggering Event:

### the death of an Interest Holder;

### the Bankruptcy of an Interest Holder;

### an Interest Holder terminates the Interest Holder’s employment relationship with the Company without cause;

### the Company terminates an Interest Holder’s employment relationship with the Company for cause because:

#### the Interest Holder engaged in any form of dishonesty or conduct involving moral turpitude related to the Interest Holder’s employment relationship with the Company or that otherwise reflects adversely on the reputation or operations of the Company;

#### the Interest Holder failed to materially comply with any applicable law related to the Interest Holder’s employment relationship with the Company;

#### the Interest Holder failed to materially comply with the reasonable instructions, policies, or rules of the Company;

#### continuous or repeated problems occurred in connection with the performance of the Interest Holder’s duties; or

#### the Interest Holder materially breached an employment agreement between the Interest Holder and the Company and failed to cure the breach within 20 days after the Company notified the Interest Holder of the breach;

### an Interest Holder materially breaches this Agreement and fails to cure the breach within 20 days after the Company or any other Interest Holder notifies the Interest Holder of the breach;

### an Interest Holder materially breaches any other agreement to which the Interest Holder and the Company are parties and fails to cure the breach within 20 days after the Company notifies the Interest Holder of the breach;

### an Interest Holder’s Transfer of Units, unless the Transfer is expressly permitted by this Agreement; and

### an Interest Holder’s Transfer of Units pursuant to a judgment for the annulment or dissolution of the Interest Holder’s marriage.

## Notice.

### If the Company obtains actual knowledge that a Call Option Triggering Event has occurred with respect to an Interest Holder, the Company will promptly give each Interest Holder a notice stating that the Call Option Triggering Event has occurred.

### If an Interest Holder obtains actual knowledge that a Call Option Triggering Event has occurred with respect to any Interest Holder, and if the Interest Holder knows or should know that the Company has not obtained such knowledge, the Interest Holder will promptly give the Company a notice stating that the Call Option Triggering Event has occurred.

## Company’s Option to Buy.

### For 30 days after the delivery of the notice specified in Section 5.2(a) of these Transfer Provisions, the Company will have the option to buy some or all of the Call Option Units owned by the Interest Holder to whom the Call Option Triggering Event occurred, at the price determined in accordance with Section 8 of these Transfer Provisions and on the terms and conditions set forth in 8.3 of these Transfer Provisions.

### The Company may exercise the option by delivering to the Interest Holder a notice stating that the option is exercised and specifying the number of Call Option Units for which the option is exercised.

### If the Company does not exercise the option with respect to all of the Call Option Units owned by the Interest Holder within the 30-day period after the delivery of the notice specified in Section 5.2(a) of these Transfer Provisions, the Company will promptly give the Other Members a notice stating that fact and the number of Call Option Units for which the option was and was not exercised.

## Other Members’ Option to Buy.

### For 30 days after the delivery of the notice specified in Section 5.3(c) of these Transfer Provisions, each Other Member will have the option to buy all of the Call Option Units – but not less than all of the Call Option Units – owned by the Interest Holder for which the option was not exercised by the Company, at the price determined in accordance with Section 8 of these Transfer Provisions and on the terms and conditions set forth in 8.3 of these Transfer Provisions.

### An Other Member may exercise the option by delivering to the Company and the Interest Holder to whom the Call Option Triggering Event occurred a notice stating that the option is exercised.

## Sale to the Company and the Other Members. If one or both of the options under Section 5.3 and Section5.4 of these Transfer Provisions are exercised with respect to all of the Call Option Units owned by the Interest Holder:

### the Company will buy from the Interest Holder – and the Interest Holder will sell to the Company – the number of Call Option Units for which the option was exercised by the Company, subject to the terms and conditions of this Agreement;

### the Other Members who exercised the option will buy from the Interest Holder – and the Interest Holder will sell to the Other Members who exercised the option – the number of Call Option Units for which the option was exercised by the Other Members, subject to the terms and conditions of this Agreement;

### if more than one Other Member exercised the option, each Other Member who exercised the option will have priority to such proportion of the available Call Option Units as the number of the Company's Units owned by the Other Member bears to the number of the Company's Units owned by all Other Members who exercised the option; and

### the sale will occur in accordance with Section 10 of these Transfer Provisions.

## Continued Ownership. If the options under Section 5.3 and Section 5.4 of these Transfer Provisions are not exercised with respect to all of the Call Option Units owned by the Interest Holder, no sale will occur and the Interest Holder will continue to own all of the Interest Holder’s Call Option Units subject to the terms and conditions of this Agreement.

# CESSATION OF MEMBERSHIP

## Cessation of Membership. A Member will cease to be a Member in the Company upon the earliest to occur of the following:

### the death of the Member;

### the incompetency of the Member, if an entry of a judgment by a court of competent jurisdiction adjudicates the Member incompetent to manage the Member’s person or estate;

### the disability of the Member, if a Majority of Disinterested Units reasonably determines that the Member – with or without reasonable accommodation – has been or will be unable to perform the essential functions of the Member’s duties as a member, manager, officer, employee, or independent contractor of the Company for a period of 180 consecutive days;

### the Bankruptcy of the Member;

### the Member terminates the Member’s employment relationship with the Company without cause;

### the Company terminates the Member’s employment relationship with the Company for cause because:

#### the Member engaged in any form of dishonesty or conduct involving moral turpitude related to the Member’s employment relationship with the Company or that otherwise reflects adversely on the reputation or operations of the Company;

#### the Member failed to materially comply with any applicable law related to the Member’s employment relationship with the Company;

#### the Member failed to materially comply with the reasonable instructions, policies, or rules of the Company;

#### continuous or repeated problems occurred in connection with the performance of the Member’s duties; or

#### the Member materially breached an employment agreement between the Member and the Company and failed to cure the breach within 20 days after the Company notified the Member of the breach;

### the Member materially breaches this Agreement and fails to cure the breach within 20 days after the Company or any Interest Holder notifies the Member of the breach;

### the Member materially breaches any other agreement to which the Member and the Company are parties and fails to cure the breach within 20 days after the Company notifies the Member of the breach;

### the Member’s Transfer of Units, unless the Transfer is expressly permitted by this Agreement; and

### the Member’s Transfer of Units pursuant to a judgment for the annulment or dissolution of the Member’s marriage, but only with respect to the Units that are transferred pursuant to the judgment.

## Effect of Cessation.

### Except as otherwise provided in Section 6.2(b) of these Transfer Provisions, following the cessation of membership:

#### the holder of the former Member’s Units will be an Assignee with respect to the Units;

#### except as otherwise provided in ORS 63.229 and ORS 63.235, until the Assignee becomes a Member, the Assignee has no liability, duty, or obligation as a Member solely as a result of the cessation; and

#### the former Member is not released from liability as a Member accruing or arising prior to the cessation solely as a result of the cessation, and is not relieved of any fiduciary duties the former Member otherwise may continue to owe the Company or the other Members.

### If the Member who ceases to be a Member is the only Member of the Company, the holder of the former Member’s Units will become a Member simultaneously with and upon the cessation of membership.

# ASSIGNEES

## Admission of Assignee as Member. An Assignee may become a Member upon the consent of a Majority of Units.

## Rights of Assignee Who Becomes Member.

### An Assignee who becomes a Member has the rights and powers, and is subject to the restrictions and liabilities, of a Member under the Act, the Articles of Organization, and this Agreement. An Assignee who becomes a Member also is liable for any obligations of the former holder of the Assignee’s Units to make contributions under ORS 63.180.

### Whether or not an Assignee becomes a Member, the former holder of the Assignee’s Units is not released from the former holder’s liability to the Company to make contributions under ORS 63.180.

# PRICE

If the price of any Units is to be determined in accordance with this Section 8 of these Transfer Provisions, the price will be determined as follows:

## Stated Value.

### The parties may state a value per Unit at any time by signing and delivering to each other a Statement of Agreed Value substantially in the form attached as Exhibit C.

### If the parties sign and deliver a Statement of Agreed Value, and if the date on which the event giving rise to the sale occurs on or before the expiration date set forth in the Statement of Agreed Value, the price per Unit will be the value per Unit stated in the Statement of Agreed Value.

## Agreed Value. If the seller and the buyers otherwise agree on a price of the Units fifteen (15) business days after the determination of the parties buying the Units and the number of Units being bought by each party, the price of the Units will be as agreed.

## Price Per Unit. If the price per Unit will not be the value per Unit stated in a Statement of Agreed Value, and if the seller and the buyers cannot otherwise agree on the price of the Units within fifteen (15) business days after the determination of the parties buying the Units and the number of Units being bought by each party, the price per unit will be:

### the Adjusted Cash Flow of the Company for the last two (2) complete fiscal years before the date on which the event giving rise to the sale occurred, as set forth on the year-end financial statements of the Company;

DIVIDED BY

### the number of outstanding Units as of the date on which the event giving rise to the sale occurred.

## **Reduction**. The price of any Units determined under this Section 8 will be – if the event giving rise to the sale is the event specified in Section 5.1(c), Section 5.1(d), Section 5.1(e), Section 5.1(f), or Section 5.1(g)– reduced by twenty-five percent (25%).

# PAYMENT TERMS

If the terms and conditions of a sale of any Units are to be determined in accordance with this 8.3, the terms and conditions will be determined as follows:

## Agreed Terms. If the seller and the buyers agree on the terms and conditions of the sale of the Units within 20 days after the determination of the parties buying the Units and the number of Units being bought by each party, the terms and conditions of the sale of the Units will be as agreed.

## Payment Terms. If the seller and the buyers cannot agree on the terms and conditions of the sale of the Units within 20 days after the determination of the parties buying the Units and the number of Units being bought by each party, the terms and conditions will be as follows:

### 10% of the price of the Units will be paid on the date that the sale occurs;

### the balance of the price of the Units, together with interest on the unpaid balance from the date of the sale of the Units, will be paid in 60 equal monthly installments of principal and interest;

### the first installment will be due on the first day of the first calendar month after the date of the sale of the Units, and subsequent installments will be due on the same day of each following month;

### the buyers will pay interest on the unpaid balance at the “applicable Federal rate” under IRC § 1274(d) as of the date of the sale of the Units;

### if an Interest Holder is a buyer, the Interest Holder’s obligation to pay the balance of the price of the Units will be:

#### evidenced by a promissory note, in form and substance reasonably satisfactory to the seller; and

#### secured by a security interest in the Interest Holder’s Units, as evidenced by a pledge agreement, in form and substance reasonably satisfactory to the seller; and

### if the Company is a buyer, the Company’s obligation to pay the balance of the price of the Units will be:

#### evidenced by a promissory note, in form and substance reasonably satisfactory to the seller; and

#### secured by a security interest in the Company’s assets, as evidenced by a security agreement, in form and substance reasonably satisfactory to the seller.

# SALE OF UNITS

If the sale of any Units is to occur in accordance with this Section 10, the sale will occur as follows:

## Sale.

### The sale will occur at a time and date fixed by the seller and the buyers within 30 days after:

#### the final determination of the price of the Units, if the price of the Units is determined in accordance with Section 8 of these Transfer Provisions;

#### the date that the last possible option is exercised under Section 4.2 and Section 4.3 of these Transfer Provisions, if the price of the Units is the price set forth in a Transfer Notice.

### The sale will take place at the Company’s principal office, or at a place fixed by the seller and the buyers.

### All sales to all buyers will occur – and will be deemed to have occurred – simultaneously.

## Deliveries.

### Each buyer will sign and deliver to the seller:

#### a certified check in the amount of the portion of the price of the Units that will be paid on the date that the sale occurs;

#### if the buyer is the Company, a redemption agreement that contains:

##### a representation and warranty by the Company that the Company can lawfully buy the Units under the Act;

##### a mutual release, in form and substance reasonably satisfactory to the Company and the seller; and

##### such other terms and conditions that are customarily included in a redemption agreement, in form and substance reasonably satisfactory to the Company and the seller;

#### if the buyer is an Interest Holder, a unit purchase agreement that contains:

##### investment representations and warranties by the buyer to ensure compliance with all applicable securities laws, in form and substance reasonably satisfactory to the seller;

##### a mutual release, in form and substance reasonably satisfactory to the buyer and the seller; and

##### such other terms and conditions that are customarily included in a unit purchase agreement, in form and substance reasonably satisfactory to the buyer and the seller;

#### any promissory note and security agreement required by Section 9.2(e) or Section 9.2(f) of these Transfer Provisions; and

#### if applicable, any other documents required by the Transfer Notice.

### The seller will deliver to the buyers any certificates representing the Units, together with assignments indorsed to the appropriate buyers, in form and substance reasonably satisfactory to the buyers.

### The seller will sign and deliver to each buyer:

#### if the buyer is the Company, a redemption agreement that contains:

##### representations and warranties by the seller that the seller is the sole owner of the Units and that the Units are free from any encumbrance, including but not limited to any security interest or lien;

##### investment representations and warranties by the seller to ensure compliance with all applicable securities laws, in form and substance reasonably satisfactory to the Company;

##### a mutual release, in form and substance reasonably satisfactory to the Company and the seller; and

##### such other terms and conditions that are customarily included in a redemption agreement, in form and substance reasonably satisfactory to the Company and the seller; and

#### if the buyer is an Interest Holder, a unit purchase agreement that contains:

##### representations and warranties by the seller that the seller is the sole owner of the Units and that the Units are free from any encumbrance, including but not limited to any security interest or lien;

##### investment representations and warranties by the seller to ensure compliance with all applicable securities laws, in form and substance reasonably satisfactory to the buyer;

##### a mutual release, in form and substance reasonably satisfactory to the buyer and the seller; and

##### such other terms and conditions that are customarily included in a unit purchase agreement, in form and substance reasonably satisfactory to the buyer and the seller.

### The seller, the buyers, and the Company will sign and deliver all other documents and take or cause to be taken all other acts that they deem necessary or appropriate to effect and carry out the sale of the Units.

**Schedule 2.1**

**Company Information as of August 10, 2011**

**Interest Holders:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Interest Holder** | **Status** | **Units** | **Contribution** | **Contribution Date** | **Value of Contribution** |
| Joshua Provonchee | Member | 100 | Cash | August 10, 2011 | $100.00 |
| Joel A. Hokkanen | Member | 100 | Cash | August 10, 2011 | $100.00 |
| **Total Outstanding:** | | **200** |  |  |  |

**Addresses:**

|  |
| --- |
| **Company:** |
| ZooFaroo, LLC |
| 13405 NE Eugene St. |
| Portland, OR 97230 |
|  |

|  |
| --- |
| **Interest Holders:** |

|  |
| --- |
| Joshua Provonchee |
| 13405 NE Eugene St. |
| Portland, OR 97230 |
| Joal A. Hokkanen |
| 163 Union St. |
| Rockport, ME 04856 |

**Tax Matters Member:** Joshua Provonchee

**Exhibit A**

**Joinder Agreement**

1. **New Party**. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“**New Party**”) agrees to become a party to and be bound by the provisions of the Operating Agreement of ZooFaroo, LLC, an Oregon limited liability company (the “**Company**”), dated August 10, 2011 among the Company and its interest holders.
2. **Representations and Warranties**. New Party makes the representations and warranties set forth in Section 11 of the Operating Agreement as of the date of this Joinder Agreement.

Dated effective: [DATE]

|  |
| --- |
| **New Party:**  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

**Exhibit B**

**Spousal Consent**

1. **Spouse**. I, Julia C. Provonchee, certify to ZooFaroo, LLC, an Oregon limited liability company (the “**Company**”), and its interest holders that I am the spouse of Joshua Provonchee, an interest holder of the Company.
2. **Operating Agreement**. I have read and understood the Operating Agreement of the Company dated August 10, 2011 among the Company and its interest holders (the “**Operating Agreement**”).
3. **Compliance**. I agree to comply with the provisions of the Operating Agreement to the extent that I have or subsequently acquire any interest in my spouse’s units, and agree that any interest that I have or subsequently acquire in my spouse’s units is subject to the provisions of the Operating Agreement.
4. **Sale, Conversion, and Change of Rights**. I understand that under the Operating Agreement:

### my spouse may have the option or obligation to sell some or all of my spouse’s units;

### my spouse’s units may be converted into units, shares, or other ownership interests of another business entity, with or without my spouse’s consent; and

### the rights of my spouse’s units may be changed, with or without my spouse’s consent.

1. **Consent and Waiver**. I consent to any sale, conversion, or change of rights of my spouse’s units to the extent that the sale, conversion, or change of rights is not inconsistent with the Operating Agreement or applicable law. I waive any right that I may have to challenge any such sale, conversion, or change of rights.

Dated effective: August 10, 2011

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| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Julia C. Provonchee |

**Exhibit B**

**Spousal Consent**

1. **Spouse**. I, Kelly E. Hokkanen, certify to ZooFaroo, LLC, an Oregon limited liability company (the “**Company**”), and its interest holders that I am the spouse of Joel A. Hokkanen, an interest holder of the Company.
2. **Operating Agreement**. I have read and understood the Operating Agreement of the Company dated August 10, 2011 among the Company and its interest holders (the “**Operating Agreement**”).
3. **Compliance**. I agree to comply with the provisions of the Operating Agreement to the extent that I have or subsequently acquire any interest in my spouse’s units, and agree that any interest that I have or subsequently acquire in my spouse’s units is subject to the provisions of the Operating Agreement.
4. **Sale, Conversion, and Change of Rights**. I understand that under the Operating Agreement:

### my spouse may have the option or obligation to sell some or all of my spouse’s units;

### my spouse’s units may be converted into units, shares, or other ownership interests of another business entity, with or without my spouse’s consent; and

### the rights of my spouse’s units may be changed, with or without my spouse’s consent.

1. **Consent and Waiver**. I consent to any sale, conversion, or change of rights of my spouse’s units to the extent that the sale, conversion, or change of rights is not inconsistent with the Operating Agreement or applicable law. I waive any right that I may have to challenge any such sale, conversion, or change of rights.

Dated effective: August 10, 2011

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| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Kelly E. Hokkanen |

**Exhibit C**

**Statement of Agreed Value**

1. **Agreed Value**. The parties to the Operating Agreement of ZooFaroo, LLC, an Oregon limited liability company (the “**Company**”), dated August 10, 2011 among the Company and its interest holders agree that the value of the Company’s units is as follows:

$\_\_\_\_\_\_\_\_\_\_ per unit

1. **Expiration Date**. This Statement of Agreed Value will expire on [DATE].

Dated effective: [DATE]

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| --- |
| **Company:**  ZooFaroo, LLC  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  By: Joshua Provonchee |

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| --- |
| **Interest Holders:** |

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| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Joshua Provonchee |
| \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  Joel A. Hokkanen |