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OLD NORTH STATE WATER COMPANY, LLC

(A MULTI-MEMBER, MANAGER-MANAGED LLC)

OPERATING AGREEMENT

Dated as of October ____, 2012

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OPERATING AGREEMENT

OF

OLD NORTH STATE WATER COMPANY, LLC

THIS OPERATING AGREEMENT (the "Agreement") of OLD NORTH STATE WATER COMPANY, LLC, (the "Company"), a multi-member, manager-managed limited liability company organized pursuant to the North Carolina Limited Liability Company Act (the "Act"), is effective as of the ____ day of _____, 2012, made and entered into by and among the Company and the persons executing this Agreement as the Members and Managers as set forth on Schedule I, attached hereto, on the following terms:

WITNESSETH:

WHEREAS, the Organizers executed Articles of Organization, including Articles of Conversion, (the "Articles"), on the 23rd day of January, 2012, and filed the original of same with the North Carolina Department of the Secretary of State, establishing the limited liability company pursuant to §§ 57C-2-21, 57C-9A-01 and 57C-9A-03 of the General Statutes of North Carolina, via conversion of Old North State Water Company, Inc. to the Company; and

WHEREAS, the parties hereto desire to enter into this Agreement to provide for the terms and conditions for the operation of the Company.

NOW, THEREFORE, in consideration of the premises and of the terms and conditions of this Agreement, the parties, intending to be legally bound, hereby agree as follows:

A R T I C L E I
FORMATIONAL MATTERS

Section 1.1 Formation. The formation of the Company as a limited liability company, pursuant to the provisions of the North Carolina Limited Liability Act is hereby ratified. Except as expressly provided herein to the contrary the rights and obligations of the Members, and the administration and dissolution of the Company, shall be governed by this Agreement, the Articles of Organization, and the Act.

Section 1.2 Name. The name of the Company, and the name that the Company shall conduct its business under, is "Old North State Water Company, LLC."

Section 1.3 Registered Office; Principal Office.

(a) Unless and until changed by the Manager, the address of the registered office of the Company in the State of North Carolina shall be 1620 Chalk Road, Wake Forest, Wake County, North Carolina 27587. The name of the registered agent for service of process on the Company in the State of North Carolina at such registered office shall be Michael John Myers.

(b) The principal place of business of the Company shall be 1620 Chalk Road, Wake Forest, Wake County, North Carolina 27587, or such other place as the Managers may from time to time designate.

(c) The Company may maintain offices at such other place or places as the Manager deems necessary or appropriate.

Section 1.4 Purposes and Powers.

(a) The Company was established for the purpose of acquiring water and sewer utility franchises.

(b) The Company shall have any and all powers that are necessary or desirable to carry out the purposes and business of the Company, to the extent the same may be legally exercised by limited liability companies under the Act.

Section 1.5 Duration. The Company shall have perpetual duration unless it shall sooner be dissolved and its affairs wound up in accordance with this Agreement or the Act.

Section 1.6 Nature of Members' Interests. The interests of the Members in the Company shall be personal property for all purposes. Legal title to all Company assets shall be held in the name of the Company. Neither any member, successor, representative, or assign of any Member, shall have a right, title, or interest in or to any Company property or the right to partition any Property owned by the Company.

Section 1.7 Classification of the Company. The Members hereby acknowledge that the Company will initially be treated as an association taxed as a Sub Chapter S Corporation for federal income tax purposes. The Managers may, in their discretion, make an election with the Internal Revenue Service to be taxed as a partnership.

ARTICLE II
DEFINITIONS

Section 2.1 Certain Definitions. Defined terms used in this Agreement shall, unless the context otherwise requires, have the meanings specified below. Certain additional defined terms are set forth elsewhere in this Agreement.

"Act" means the North Carolina Limited Liability Company Act, as amended from time to time.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the relevant Fiscal/Calendar or Taxable Year, after giving effect to the following adjustments:

(i) Credit to such Capital Account any amounts which such Member is obligated to restore, or is deemed to be obligated to restore (including any guarantees made by such Member to a lender of the Company), pursuant to this Agreement or to the penultimate sentences of Treasury Regulation Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) Debit to such Capital Account the items described in Treasury Regulation Sections 1.704-1(b)(2)(ii)(d)(4)-(6).

The foregoing definition of Adjusted Capital Account Deficit is intended to comply with the provisions of Section 1.704-1(b)(2)(ii)(d) of the Treasury Regulations and shall be interpreted consistently therewith.

"Affiliate" means any Person who, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or under common control with another person or entity. For the purpose of this definition, the terms "controls," "controlled by," and "under common control with" mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Operating Agreement (and all schedules and exhibits hereto), as may be amended, supplemented or replaced from time to time.

"Articles of Organization" means the Articles of Organization, including Articles of Conversion, of the Company filed with the North Carolina Department of the Secretary of State and as specified in the recitals to this Agreement, and as amended or restated from time to time.

"Bankrupt Member" shall have the meaning specified in Section 9.4 to this Agreement.

"Capital Account" means, with respect to any Member, the Capital Account maintained for such Member in accordance with Section 4.6 hereof.

"Capital Contribution" means, with respect to any Member, the amount of cash and the initial Gross Asset Value of any property (other than cash) contributed by such Member to the Company pursuant to the provisions of this Agreement.

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

"Company Minimum Gain" means gain as defined in Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

"Costs" shall have the meaning specified in Section 14.1 to this Agreement.

"Deceased Member" shall have the meaning specified in Section 9.3 to this Agreement.

"Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis; provided, however, that if the adjusted basis for federal income tax purposes, depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the Managers.

"Divorce Transfer" shall have the meaning specified in Section 9.5 to this Agreement.

"Divorced Member" shall have the meaning specified in Section 9.5 to this Agreement.

"Disinterested Member" means a Member other than

(i) the Member whose Membership Interest is to be transferred, or

(ii) the proposed transferee of such Membership Interest.

"Distributable Cash" means, with respect to the Company at any time, all funds of the Company on hand or in bank accounts of the Company as, in the discretion of the manager, are available for distribution to the Members after provision has been made for

(i) payment of all operating expenses of the Company as of such time;

(ii) payment for all outstanding and unpaid current obligations of the Company as of such time, including without limitation, guaranteed payments; and

(iii) such reserves as the Managers deem necessary or appropriate for company operations.

"Distribution" means any money or other property distributed to a Member with respect to the Member's Membership Interest in the Company, but shall not include any payment to a Member for debt repayment, materials or services provided or rendered by the Member (as contemplated by Section 7.8 below) or any reimbursement to a Member for expenses permitted in accordance with this Agreement.

"Encumbrance" means any lien, pledge, encumbrance, collateral assignment, or hypothecation.

"Event of Bankruptcy" shall have the meaning specified in Section 9.4 to this Agreement.

"Fiscal Year" established pursuant to Section 13.6 hereof, means an annual accounting period ending December 31 of each year during the duration of the Company, unless otherwise specified by the Managers.

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

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as determined by the contributing Member and the Managers, provided that, if the contributing Member is a Manager, the determination of the fair market value of a contributed asset shall be determined by the Members; and

(ii) The Gross Asset Values all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Manager, as of the following times: (a) the acquisition of an additional interest in the Company (other than upon the initial formation of the Company) by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) the distribution by the Company to a Member of more than a de minimis amount of Company property as consideration for an interest in the Company; and (c) the liquidation of the Company within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) other than a constructive termination of the Company pursuant to Code Section 708(b)(1)(B); provided, however, that the adjustments pursuant to clauses (a) and (b) above shall be made only if the Managers reasonably determine that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company; and

(iii) The Gross Asset Value of any Company asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the distribute and the Managers, provided that, if the distribute is a Manager, the determination of the fair market value of the distributed asset shall be determined by the Members; and

(iv) The Gross Asset Values of Company assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and Section 5.3(g) hereof; provided, however, that Gross Asset Values shall not be adjusted pursuant to this clause (iv) to the extent that the Managers determine that an adjustment pursuant to clause (ii) of this definition hereof is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iv).

If the Gross Asset Value of an asset has been determined or adjusted pursuant to clauses (i), (ii), or (iv) hereof, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Profits and Losses.

"Indemnitee" shall have the meaning specified in Section 14.1 to this Agreement.

"Interest" means a Member's share of Profits and Losses of the Company and a Member's rights to receive distributions of the Company's assets in accordance with the provisions of this Agreement and the North Carolina Act, which shall be equal to the percentage resulting from dividing the Member's total Units by the total outstanding Units.

"Liquidating Event" shall have the meaning specified in Section 12.2 to this Agreement.

"Majority in Interest" means a combination of any Members who, in the aggregate, own more than fifty percent of the Membership Interests of all Members.

"Manager" means each Person executing this Agreement as a Manager, any other Person that succeeds any such manager, or any other Person elected to act as Manager of the Company as provided in this Agreement in Section 7.1. *"Managers"* refers to such Persons as a group.

"Manager Voting Percentage" means, with respect to each manager, the percentage as set forth opposite such Member's name on Schedule II hereto.

"Member" means the Persons designated as a Member of the Company and specified in I hereto, and any other Person admitted as a Member of the Company in accordance with this Agreement or the Act. *"Members"* refers to such Persons as a group.

"Member Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Treasury Regulations Section 1.704-2(i).

"Member Nonrecourse Debt" means any nonrecourse debt (for the purposes of Treasury Regulations Section 1.1001-2) of the Company for which any Member bears the "economic risk of loss," within the meaning of Treasury Regulations Section 1.752-2 and shall have the meaning of "Partner Nonrecourse Debt" set forth in Treasury Regulation Section 1.704-2(b)(4).

"Member Nonrecourse Debt Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Treasury Regulation Section 1.704-2(0(3).

"Member Nonrecourse Deductions" means deductions as described in Treasury Regulations Section 1.704-2(i). The amount of Member Nonrecourse Deductions with respect to Member Nonrecourse Debt for any Fiscal Year equals the excess, if any, of (A) the net increase, if any, in the amount of Member Minimum Gain attributable to such Member Nonrecourse Debt during such Fiscal Year, over (B) the aggregate amount of any Distributions during that Fiscal Year to the Member that bears the economic risk of loss for such Member Nonrecourse Debt to the extent such Distributions are from the proceeds of such Member Nonrecourse Debt and are allocable to an increase in member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Treasury Regulations Section 1.704-2(i) and has the meaning of "Partner Nonrecourse Deductions" as specifically set forth in Treasury Regulation Sections 1.704-2(i)(1) and 1.704- 2(i)(2).

"Net Cash Flow" means the gross cash proceeds from Company operations less the portion thereof used to pay or establish Reserves for all Company expenses, debt payments, and contingencies, all as determined by the Manager. Net Cash Flow shall not be reduced by depreciation, amortization or similar allowances, but shall be increased by any reductions of Reserves previously established.

"Nonrecourse Deductions" means deductions as set forth in Treasury Regulations Section 1.704-2(b)(1). The amount of Nonrecourse Deductions for a given Fiscal Year equals the excess, if any, of (A) the net increase, if any, in the amount of Company Minimum Gain during such Fiscal Year, over (B) the aggregate amount of any Distributions during such Fiscal Year of proceeds of a Nonrecourse Liability that are allocable to an increase in Company Minimum Gain, determined according to the provisions of Treasury Regulations Section 1.704-2(h).

"Nonrecourse Liability" has the meaning set forth in Treasury Regulation Section 1.704-2(b)(3) and means any Company liability (or portion thereof) for which no Member bears the "economic risk of loss", within the meaning of Treasury Regulations Section 1.752-2.

"Non-Selling Members" shall have the meaning specified in Section 9.2 to this Agreement.

"Opinion of Counsel" means a written opinion of counsel (who may be regular counsel to the Company), acceptable to the Members.

"Organizers" means John L. McDonald and Michael John Myers.

"Percentage Interest" means the percentage as set forth opposite such Member's name on Schedule I hereto.

"Person" means an individual, a trust, an estate, a domestic corporation, a foreign corporation, a professional corporation, a partnership, limited partnership, a limited liability company, a foreign limited liability company, an unincorporated organization, association or other entity.

"Profits" and "Losses" means, for each taxable year of the Company (or other period for which Profit and Loss must be computed), an amount equal to the Company's taxable income or loss for such year or period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(i) All items of income, gain, loss, deduction, or credit required to be stated separately pursuant to Code Section 703(a)(1) shall be included in computing taxable income or loss; and

(ii) Any income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Profits or Losses pursuant to this definition shall be included in computing taxable income or loss; and

(iii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits or Losses pursuant to this definition, shall be subtracted from such taxable income or loss; and

(iv) In the event the Gross Asset Value of any Company asset is adjusted pursuant to clause (ii) or clause (iv) of the definition thereof, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits or Losses; and

(v) Gain or loss resulting from any disposition of Company property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value; and

(vi) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year or other period, computed in accordance with the definition of Depreciation and based upon the adjusted book value of the asset; and

(vii) Notwithstanding any other provisions of this definition, any items which are specially allocated pursuant to Sections 5.3 and 5.4 hereof shall not be taken into account in computing Profits or Losses.

"Property" means (i) any and all property acquired by the Company, real and/or personal (including, without limitation, intangible property), and (ii) any and all of the improvements constructed on any real property.

"Regulations" means the permanent, temporary, or proposed regulations of Department of the Treasury under the Code as such regulations may be lawfully changed from time to time.

"Regulatory Allocations" shall have the meaning specified in Section 5.4 to this Agreement.

"Reserves" means reasonable amounts, as determined by the Manager, allocated from time to time to reserves maintained for working capital of the Company and other present or future capital needs of the Company, including capital improvements and contingencies.

"Secretary of State" means the Secretary of State of North Carolina.

"Schedule I" means the schedule of Members' names, addresses, Units, Capital Contributions and Interests, which schedule, in its initial form, is attached to, and made a part of, this Agreement.

"Schedule II" means the voting percentage of each of the Manager / Members.

"Schedule III" means Company Valuation.

"Seller's Units" shall have the meaning specified in Section 9.2 to this Agreement.

"Selling Member" shall have the meaning specified in Section 9.2 to this Agreement.

"Tax Matters Partner" means such Member designated as the "tax matters partner," as that term in defined in the Code and Treasury Regulations and as set forth in Section 13.4 of this Agreement.

"Transfer" means sell, assign, transfer, lease, or otherwise dispose of property, including, without limitation, an interest in the Company.

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

"Units" shall mean the outstanding Company membership Units.

"Written Request" shall have the meaning specified in Section 8.1 to this Agreement.

ARTICLE III
MEMBERS, RIGHTS AND OBLIGATIONS

Section 3.1 Members. The names, mailing addresses, Units, Capital Contributions and Percentage Interests of the Members are set forth on Schedule A hereto and incorporated by reference, which Schedule shall be as amended by the Managers from time to time to reflect any changes in the information stated therein. A Person shall be deemed admitted as a Member at the time such Person (i) executes either this Agreement, a counterpart of this Agreement or the Joinder Agreement attached hereto as Exhibit A; (ii) is named a Member on Schedule A hereto; and (iii) otherwise complies with the requirements under this Agreement for admission as a Member. Any reference in this Agreement to Schedule A shall be deemed to be a reference to Schedule A as amended and in effect from time to time.

Section 3.2 Election of Managers. The Members shall have the power by the action of a Majority in Interest to elect a Person to serve as a Manager and to replace any Manager no longer able to serve in such capacity due to such Manager's death, resignation, or the vote of a Majority in Interest of the Members to remove such Manager; provided however, that nothing in this Section 3.2 shall require the Members to replace any Manager so long as there is at least one Manager then serving.

Section 3.3 Action by Members. Any action to be taken by the Members under the Act or this Agreement may be taken (a) at a meeting of Members held on such terms, and after such notice as the Managers may establish; provided, however, that notice of a meeting of Members must be given to all Members entitled to vote at the meeting at least five (5) days before the date of the meeting or (b) by written action of a Majority in Interest of the Members; provided, however, that any requiring the consent of all Members under this Agreement, the Act, or other applicable law taken by written action must be signed by all Members. A Member may vote in person or by proxy filed with the Company before or at the time of the meeting. No notice need be given of action proposed to be taken by written action, or an approval given by written action, unless specifically required by this Agreement, the Act, or other applicable law. Such written actions must be kept with the records of the Company.

Section 3.4 Limited Liability. The Members shall not be required to make any contribution to the capital of the Company except as set forth in Article IV, nor shall the Members in their capacity as such be bound by, or personally liable for, any expense, liability, or obligation of the Company except to the extent of their interest in the Company and the obligation to return Distributions made to them under certain circumstances as required by the Act. The Members shall be under no obligation to restore a deficit Capital Account upon the dissolution of the Company or the liquidation of any of their membership Interests.

Section 3.5 Bankruptcy or Incapacity of a Member. A Member shall cease to have any power as a Member, any voting rights or rights of approval hereunder upon death, bankruptcy, insolvency, dissolution, assignment or the benefit of credits, or legal incapacity; and the Member, his personal representative, estate, or successor upon the occurrence of any such event shall have only the rights, powers, and privileges of a transferee enumerated in Article IX and shall be liable for all obligations of such Member under this Agreement. In no event, however, shall a personal representative or successor become a substitute Member unless the requirements of Article IX are satisfied.

ARTICLE IV
COMPANY CAPITAL, CONTRIBUTIONS AND LOANS

Section 4.1 Initial Capital Contributions. Each Member has contributed cash or other property to the capital of the Company in the amount set forth (i) opposite the Member's name on Schedule A hereto, or (ii) in the Joinder Agreement executed by the Company and the Member. Such amount constitutes the Gross Asset Value of the contribution made by each Member.

Section 4.2 Additional Funds. In the event that the Managers determine at any time (or from time to time) that additional funds are required by the Company for or in respect of its business or to pay any of its obligations, expenses, costs, liabilities, or expenditures (including, without limitation, any operating deficits), then the Managers, in their sole discretion, may borrow all or part of such additional funds on behalf of the Company, with interest payable at then-prevailing rates, from any Manager, any Member, or from commercial banks, savings and loan associations, or other commercial lending institutions.

Section 4.3 Additional Capital Contributions. If the Managers determine that additional funds are required for the purposes set forth in Section 4.2 of this Agreement and that all or any portion of such additional funds should be contributed to the Company as additional Capital Contributions, the managers may propose to the Members that the Members make additional Capital Contributions. Upon unanimous agreement of the members to make such additional Capital Contributions, the members shall make the necessary additional Capital Contributions to the Company in proportion to their respective Percentage Interests.

Section 4.4 No Interest on Capital Contributions. No interest shall be paid on any contribution to the capital of the Company.

Section 4.5 Rights of Members with Respect to Capital.

(a) A Member's Units shall, for all purposes, be personal property. A Member has no interest in specific Company property. Except as provided in this Agreement or otherwise determined by the Members, no Member shall be entitled to a withdrawal, or to a return, of any part of its Capital Contribution or to receive property or assets of the Company.

(b) Except as provided in this Agreement, no Member shall be entitled to a priority over the other Members with respect to a return of its Capital Contribution, to the property and assets of the Company, or to allocations of income, gains, losses, deductions, expenses, obligations, liabilities, credits or distributions.

(c) No interest shall be paid on Capital Contributions.

Section 4.6 Capital Accounts. The Company shall maintain a Capital Account for each Member on its books and records, which shall be maintained for each such Member in accordance with the following provisions:

(a) To each Member's Capital Account there shall be credited such Member's Capital Contributions, such Member's distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Sections 5.3 and 5.4 hereof, and the amount of any Company liabilities assumed by such Member or which are secured by any Company property distributed to such Member.

(b) To each Member's Capital Account there shall be debited the amount of cash and the Gross Asset Value of any Company property distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Sections 5.3 and 5.4 hereof, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(c) In the event any Units are transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred Units.

(d) In determining the amount of any liability for the purposes of Sections 4.6(a) and 4.6(b) hereof, there shall be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and Regulations.

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

Section 4.7 Issuance of Additional Units. The Manager, in its sole and absolute discretion, is authorized to issue Units without approval by unanimous approval of the members.

Section 4.8 Liability of Members. Except as otherwise expressly required by law, a Member, in its capacity as such, shall have no liability in excess of (i) the amount of its Capital Contribution, (ii) its share of any undistributed Profits and Company assets, and (iii) the amount of any distributions wrongfully distributed to it. It is the intent of the parties hereto that no distribution to any Member shall be deemed a return of any money or other property in violation of the North Carolina Act. The payment of any such money or distribution of any such property to a Member shall be deemed to be a compromise within the meaning of Section 10-12-27 of the North Carolina Act to the Member receiving any such money or property and to any Person, the Company or any creditor of the Company. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to return such money or property, such obligation shall be the obligation of such Member and not the other Members.

Section 4.9 Reserves. The Manager may establish, set aside, expend and replenish such reasonable Reserves as the Manager shall determine to be necessary or appropriate for working capital and other anticipated costs and expenses of the Company's business.

ARTICLE V
ALLOCATIONS

Section 5.1 Profits. After giving effect to the allocations set forth in Section 5.3 and Section 5.4 hereof, Profits for any Fiscal Year shall be allocated to the Members in accordance with their Interests.

Section 5.2 Losses. After giving effect to the special allocations set forth in Sections 5.3 and Section 5.4 hereof, Losses for any Fiscal Year shall be allocated to the Members in accordance with their Interests.

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

(a) Minimum Gain Chargeback. Except as otherwise provided in Section 1.704-2(f) of the Regulations, notwithstanding any other provision of this Article V, if there is a net decrease in Company Minimum Gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, determined in accordance with Regulation Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulation Section 1.704-2(f)(6) and 1.704-2(j)(2). This Section 5.3(a) is intended to comply with the minimum gain chargeback requirement in such sections of the Regulations and shall be interpreted consistently therewith.

(b) Member Minimum Gain Chargeback. Except as otherwise provided in Regulation Section 1.704-2(i)(4), notwithstanding any other provision of this Article V except Section 5.3(a), if there is a net decrease in Member Nonrecourse Debt Minimum Gain attributable to a Member Nonrecourse Debt during any Fiscal Year, each Member who has a share of the Member Nonrecourse Minimum Gain (determined in accordance with Regulation Section 1.704-2(i)(5)) as of the beginning of such year shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Nonrecourse Debt Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulation Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulation Sections 1.704- 2(i)(4) and 1.704-2(j)(2). This Section 5.3(b) is intended to comply with the minimum gain chargeback requirement in such section of the Regulations and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Regulation Section 1.704-1(b)(2)(ii)(d)(4)-(6), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Section 5.3(c) shall be made if and only to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Article V have been tentatively made as if this Section 5.3(c) were not in this Agreement.

(d) Gross Income Allocation. In the event any Member has an Adjusted Capital Account Deficit at the end of any Fiscal Year which is in excess of the sum of the amount such Member is obligated to restore pursuant to the penultimate sentences of Regulation Sections 1.704.2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Section 5.3(d) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit in excess of such sum after all other allocations provided for this in Article V have been made as if Section 5.3(c) and this Section 5.3(d) were not in this Agreement.

(e) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Members in accordance with their Interests.

(f) Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Fiscal Year or other period shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable in accordance with Regulation Section 1.704-2(i)(2).

(g) Section 754 Adjustment. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(h) is required, pursuant to Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amounts of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

Section 5.4 Curative Allocations. The allocations set forth in Section 5.3 hereof (the "Regulatory Allocations") are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations will be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Section 5.4. Therefore, notwithstanding any other provision of this Article V (other than the Regulatory Allocations), the Manager shall make such offsetting special allocations in whatever manner it determines appropriate so that, after such offsetting allocations are made, each Member's Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of the Agreement and all Company items were allocated pursuant to Sections 5.1 and 5.2 hereof.

Section 5.5 Loss Limitation. Notwithstanding any provision of this Agreement to the contrary, Losses allocated pursuant to Section 5.2 hereof shall not exceed the maximum amount of Losses that can be allocated without causing any Member to have an Adjusted Capital Account Deficit at the end of any Fiscal Year. In the event some but not all of the Members would have Adjusted Capital Account Deficits as a consequence of an allocation of Losses pursuant to Section 5.2 hereof, the limitation set forth in this Section 5.5 shall be applied on a Member by Member basis and Losses not allocable to any Member as a result of such limitation shall be allocated to the other Members in accordance with the positive balances in such Member's Capital Accounts so as to allocate the maximum permissible Losses to each Member under Regulation Section 1 .704-1 (b)(2)(ii)(d).

Section 5.6 Other Allocation Rules.

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a daily, monthly, or other basis, as determined by the Members using any permissible method under Code Section 706 and the Regulations thereunder.

(b) The Members are aware of the income tax consequences of the allocations made by this Article V and hereby agree to be bound by the provisions of this Article V in reporting their shares of Company income and loss for income tax purposes.

(c) The "excess nonrecourse liabilities" of the Company within the meaning of Regulation Section 1.752-3(a)(3) shall be allocated among the Members in accordance with their Interests.

Section 5.7 Code Section 704(c) Allocations.

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

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

(c) Any elections or other decisions relating to such allocations shall be made by the Members in any manner that reasonably reflects the purpose and intention of this Agreement. Allocations pursuant to this Section 5.7 are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

A R T I C L E V I
DISTRIBUTIONS

Section 6.1 Net Cash Flow. Except as otherwise provided in Section 6.2 or Section 12.4, Net Cash Flow may be distributed to the Members in accordance with their relative Interests at such time as the Manager, in its sole and absolute discretion, may determine.

Section 6.2 Distribution to Pay Tax. With respect to any taxable period of the Company, before the expiration of thirty (30) days after the Company files its Federal income tax return, Form 1065, for such taxable period, the Manager may declare and pay a distribution to each Member in an amount equal to (a) that portion of the Company's income and any undistributed guaranteed payment attributed to such Member during such taxable period multiplied by (b) the sum of the maximum Federal and state income tax rates of such Member in effect for such taxable period (taking into account the deductibility of such state taxes for Federal income tax purposes), less (c) the amount of any distributions declared and paid by the Company for such taxable period, including, without limitation, any payment deemed to be a guaranteed payment. If the Company does not have sufficient

funds available to permit it lawfully to declare and pay such distribution, the Manager may take such action and adopt such resolutions as may be necessary to create sufficient funds to permit the payment of such distribution, whereupon the Company may declare and pay such distribution.

Section 6.3 Amounts Withheld. All amounts withheld pursuant to the Code or any provision of any state or local tax law with respect to any distribution to the Members shall be treated as amounts distributed to the Members pursuant to Section 6.1, Section 6.2 or Section 12.4, as the case may be, for all purposes of this Agreement.

ARTICLE VII
MANAGEMENT OF COMPANY

Section 7.1 Management Generally. Except as otherwise provided in this Agreement, the business and affairs of the Company shall be managed by the Manager, who shall have full authority and shall be responsible for the operation and management of the business of the Company and for implementing the decisions of the parties to this Agreement. In exercising its authority, the Manager shall take all actions and do all things necessary or appropriate to effectuate the purposes of the Company. The acts of the Manager shall bind the Members so long as such acts are within the scope of its authority. The Manager need not be a Member. The initial Manager shall be John L. McDonald.

Section 7.2 Resignation of the Manager. The Manager may resign at any time by giving written notice to the Members. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 7.3 Vacancy in the Office of Manager. In the event of a vacancy in the office of Manager because of death, resignation, disability, removal or any other cause, the Members may call a special meeting to elect a new Manager. Any action to remove a Manager shall require the unanimous consent of the Members. The term "disability" shall mean the Manager's inability, or, in the case of any Manager who is not an individual, the inability of the owner of fifty-one percent (51%) or more of the ownership interest in such Manager, due to mental or physical illness or injury, to perform the essential functions of the office of Manager, with or without reasonable accommodations. If the Manager and the Members are unable to agree that a disability exists or shall have existed, then the determination shall be made by a board of physicians, one of whom is nominated by the Company and one of whom is nominated by the Manager. If the said board of physicians cannot reach an agreement, they shall nominate a third physician; and the board of physicians so constituted shall make such determination by majority vote, which determination shall be binding and conclusive upon all parties to this Agreement. If the Manager fails to cooperate with any such physicians subjecting the Manager to examination, then the determination as to whether or not the Manager is subject to a disability shall be made by the unanimous vote of the Members which determination shall be binding and conclusive upon all parties to this Agreement.

Section 7.4 Authority of Manager. Except as otherwise provided in this Agreement, in addition to any other rights and powers which it may possess, the Manager shall have all specific rights and powers required for or appropriate to the operation and management of the business of the Company, which shall include, but shall not be limited to, the right and power:

(a) to perform any and all acts necessary or appropriate in connection with the business of the Company;

(b) to expend the capital and income of the Company, if any, in furtherance of the Company's business;

(c) to sell, lease, sublease, assign, license, convey, transfer, exchange or otherwise dispose of any property of the Company;

(d) to borrow money, whether on a secured or unsecured basis, or refinance, recast, modify or extend any loan to the Company or which affects or is secured by the property and assets of the Company;

(e) to take and hold all property and assets of the Company, real, personal and mixed, in the name of the Company;

(f) to hire on behalf of the Company such employees, independent contractors and personnel as the Manager deems necessary or appropriate;

(g) to appoint one or more officers of the Company, including, without limitation, a chief executive officer, a president, one or more vice presidents, a chief financial officer, a secretary, assistant secretaries, a treasurer, and assistant treasurers, and to grant to such officers authority to manage the business and affairs of the Company in a manner which is consistent with the provisions of this Agreement;

(h) to grant to officers, agents, or other management personnel of the Company a power of attorney which would permit such persons to execute any and all contracts or other documents on behalf of and in the name of the Company, and, except as provided in Section 7.6, to take any actions for or on behalf of the Manager;

(i) to coordinate all accounting and clerical functions of the Company and employ such accountants, lawyers, investment bankers, managers, agents and other management or service personnel as may from time to time be required to carry on the business of the Company; and

(j) to determine the working capital needs of the Company.

Section 7.5 Authority of the Members and Their Affiliates to Deal With the Company.

(a) Except as otherwise provided elsewhere in this Agreement, the Manager, in the name of the Company, is expressly authorized to enter into the following dealings with the Members or their Affiliates:

(i) enter into an agreement to render services or supply goods to the Company;

(ii) reimburse the Members or their Affiliates for expenses incurred on behalf of the Company; and

(iii) pay interest on funds borrowed from the Members or any of their Affiliates.

(b) Any agreements, contracts and arrangements with Members permitted by this Agreement shall be subject to the following conditions:

(i) any such agreements, contracts or arrangements shall be embodied in a written contract which describes the services to be rendered and all compensation to be paid; and

(ii) any such agreements, contracts or arrangements shall be fully and promptly disclosed to all Members.

Section 7.6 Limitations and Restrictions on the Exercise of Powers of the Manager. Notwithstanding anything in this Agreement to the contrary, the Manager shall not do any of the following without the unanimous consent of the Members:

(a) do any act in contravention of this Agreement or the North Carolina Act;

(b) perform any act required to be approved or ratified in writing by all or part of the Members under the North Carolina Act, unless the right to do so is expressly granted in this Agreement;

(c) amend this Agreement;

(d) perform any act which would make it impossible to carry on the ordinary business of the Company;

(e) knowingly perform any act that the Manager is aware would subject any Member to personal liability in any jurisdiction; or

(f) change the Company from an North Carolina limited liability company to any other type of business entity.

Section 7.7 Actions by Members. No Member shall, without the consent of the Manager, take any action on behalf of or in the name of the Company, or enter into any commitment or obligation binding upon the Company, except for actions expressly provided for in this Agreement and actions authorized by the parties in the manner set forth herein.

Section 7.8 Payment of Costs and Expenses. The Company shall be responsible for paying all costs and expenses of the activities of the Company. Any such costs and expenses which have been incurred, or are hereafter incurred, and paid by any Person (including the Manager) on behalf of the Company (including outside professional services such as legal and accounting services, and including expenses incurred in connection with the formation of the Company and the identification and development of opportunities for the Company consistent with its purposes) shall be reimbursed by the Company if such cost or expense is approved by the Manager.

Section 7.9 No Exclusive Duty to Company. No Manager shall be required to manage the Company as such Manager's sole and exclusive function, and any Manager may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company nor any Member shall have any right, by virtue of this Agreement, to share or participate in such other investments or activities of a Manager or the income or proceeds derived from the activities of such Manager. A Manager shall incur no liability to the Company or to any of the Members as a result of engaging in any other business or venture.

ARTICLE VIII
MEETINGS AND VOTING RIGHTS OF MEMBERS

Section 8.1 Meetings.

(a) Meetings of the Members for any purpose may be called by the Manager at any time and shall be called by the Manager following receipt of a written request for such a meeting signed by the owners of Units representing not less than twenty percent (20%) of the total Units (a "Written Request"). A Written Request shall state the purpose of the proposed meeting and the matters proposed to be acted upon at such meeting. Meetings called by Written Request shall be held at such reasonable times and places as may be specified by the Manager. All other meetings shall be held at the principal office of the Company or at such other places as may be designated by the Manager. In addition, the Manager shall, upon the written request of Members holding twenty percent (20%) or more of the Units, submit any matter upon which the Members are entitled to act to the Members for a vote by written consent without a meeting.

(b) Notice of any meeting to be held pursuant to Section 8.1(a) shall be given to each Member at its record address, or at such other address that it may have furnished in writing to the Manager. Notice shall be given within ten (10) days following receipt of a Written Request. Such notice shall state the place, date and hour of the meeting (which shall be held on a date not less than fifteen (15) nor more than sixty (60) days after receipt of a Written Request) and shall indicate that the notice is being issued at or by the direction of the Member or Members calling the meeting. The notice shall state the purpose or purposes of the meeting. The presence in person or by proxy of Members holding an aggregate of at least a Majority in Interest of the Units shall constitute a quorum at all meetings of the Members.

(c) At each meeting of Members, the Members present or represented by proxy shall elect such officers and adopt such rules for the conduct of such meeting as they shall deem appropriate.

Section 8.2 Voting Rights of Members.

(a) Members owning an aggregate of eighty-one percent (81%) or more of the then outstanding Units of the Company, with or without the concurrence of the Manager, may:

(i) amend this Agreement;

(ii) approve or disapprove the sale or other disposition of all or substantially all of the assets of the Company;

(iii) remove the Manager and/or fill any vacancy in the office of Manager in accordance with Section 7.3 of this Agreement; or

(iv) dissolve the Company.

(b) A Member shall be entitled to cast one (1) vote for each Unit that it owns:

(i) at a meeting, in person, by written proxy or by a signed writing directing the manner in which it desires that the vote be cast, which writing must be received by the Manager prior to such meeting, or

(ii) without a meeting, by a signed writing directing the manner in which it desires that its vote be cast, which writing must be received by the Manager prior to the date upon which the votes of Members are to be counted. Every proxy must be signed by the Member or its attorney-in-fact.

No proxy shall be valid after the expiration of twelve (12) months from the date thereof, unless otherwise provided in the proxy. Every proxy shall be revocable at the expiration of twelve (12) months from the date thereof, unless otherwise provided in the proxy. Every proxy shall be revocable at the pleasure of the Member executing it. Only the votes of Members of record on the record date, whether at a meeting or otherwise, shall be counted.

Section 8.3 Management of the Company. Except as may otherwise be delegated by the Manager, no Member shall have the power or authority to bind the Company or to sign any agreement or document in the name of the Company.

ARTICLE IX
TRANSFER OF INTEREST

Section 9.1 Transfer.

(a) The term "transfer," when used in this Article IX with respect to any Units, as the case may be, shall be deemed to refer to a transaction by which the owner of any Units directly or indirectly transfers the same to another Person and includes a sale, assignment, gift, exchange, or any other disposition.

(b) Except as otherwise provided in this Agreement, no Member shall transfer any of its Units without the unanimous written consent of the remaining Members. Any purported transfer of such Units not permitted hereunder shall be void and of no effect and the purported transferee shall have no rights as a Member in the Company and no other rights against or with respect to the Company. Any subsequent conveyance of any Units shall be subject to the terms and conditions of this Agreement. Notwithstanding the foregoing restrictions and subject to the provisions of Section 9.6 below, any Member may sell, assign, donate or otherwise transfer or convey (whether by operation of law or otherwise, including without limitation, inter vivos gifts or bequests by will) any of the Units he owns to any other Member, or to his spouse, children or any other lineal descendants or to one or more trusts for their benefit or to his parents or their lineal descendants or to one or more trusts for their benefit; provided, however, that a person receiving Units transferred pursuant to this Section 9.1 shall have no voting power by the transfer of Units and shall be subject to the terms and conditions otherwise contained in this Agreement.

Section 9.2 Rights of First Refusal.

(a) If a Member (a "Selling Member") receives from a third party a bona fide offer to purchase all or a portion of its Units (the "Seller's Units") and the Members other than the Selling Member (collectively, the "Non-Selling Members") do not consent to such sale and purchase as provided in Section 9.1, then the Non-Selling Members shall have the right and option to purchase all, but not less than all, of the Seller's Units, in the same proportions as their Units bear to one another or in such proportions as they may all agree, at the same price and upon the same terms and conditions as are contained in the offer from such third party, and the Company shall thereafter have the option to purchase all, but not less than all, of the Seller's Units not purchased by the Non-Selling Members. If the Selling Member wishes to sell pursuant to such offer, it shall give written notice to the Non-Selling Members and the Company of its desire to sell, and in such notice, specify the Units that it owns, the name and address of the proposed buyer, and the price and terms of the sale contained in the proposed buyer's offer.

(b) The Non-Selling Members shall have the right to notify the Selling Member of their exercise of such option within twenty (20) days after receipt of such written notice from the Selling Member. If any of the Non-Selling Members exercise such option, they shall do so by written notice to the Selling Member, and the transaction shall be consummated at a "closing" which shall take place at a mutually agreeable time and place within ten (10) days after the Non-Selling Members exercise their option. If the Non-Selling Members do not give written notice of their exercise of such option within such twenty (20) day period, then they shall conclusively be deemed to have rejected their option to purchase the Seller's Units.

(c) If the Non-Selling Members reject or are deemed to have rejected their respective options to purchase the Seller's Units pursuant to Section 9.2(b) above, then the Company shall have the right and option to purchase all, but not less than all, of the Seller's Units at the same price and upon the same terms and conditions as are contained in the offer from such third party. The Selling Member shall give the Company notice of the Non-Selling Members' rejection or deemed rejection of their option to purchase the Seller's Units. The Company shall have the right to notify the Selling Member of its exercise of such option within twenty (20) days after receipt of notice of the Non-Selling Members' rejection of their option to purchase the Seller's Units. If the Company exercises such option, it shall do so by written notice to the Selling Member, and the transaction shall be consummated at a "closing" which shall take place at a mutually agreeable time and place within ten (10) days after the Company exercises its option. If the Company does not give written notice of its exercise of such option within such twenty (20) day period, then it shall conclusively be deemed to have rejected its option to purchase the Seller's Units.

(d) If the Company rejects or is deemed to have rejected its option to purchase the Seller's Units pursuant to Section 9.2(c) above within the twenty (20) day period allowed therefor, the Selling Member shall thereafter be free to dispose of the Seller's Units upon the terms and conditions set forth in the sale notice for a period of thirty (30) days following the expiration of all of the rights of the Company. If such disposition is not affected by the Selling Member within thirty (30) days, the Seller's Units shall remain subject to all terms and provisions of this Agreement.

Section 9.3 Sale of Units Upon the Death of a Member. Upon the death of a Member, or, in the case of any Members owning Units as joint tenants with right of survivorship or tenants by the entirety, upon the death of the last to die of such joint tenants, or, in the case of any Member who is not an individual, the death of the owner of more than fifty percent (50%) of the ownership interest of such Member (in any case, a "Deceased Member"), the Company shall have the right and option to purchase all, but not less than all, of the Units owned by the Deceased Member at the time of his death. The Company shall have the right to notify the legal representative of the estate of the Deceased Member (for purposes of this paragraph, the "estate") of its exercise of such option within one hundred twenty (120) days after the death of the Deceased Member. If the Company exercises such option, it shall do so by written notice to the estate, and the transaction shall be consummated at a "closing" which shall take place at a mutually agreeable time and place within ten (10) days after the Company exercises its option. If the legal representative of the estate of the Deceased Member has not yet been appointed or the proceeds of any "key man" life insurance policies on the Deceased Member's life have not been collected, the period for closing shall instead occur within ten (10) days after the satisfaction of the second of such prerequisites. If the Company does not give written notice of its exercise of such option within such one hundred twenty (120) day period, then it shall conclusively be deemed to have rejected its option to purchase the Deceased Member's Units. At any such closing, against delivery of appropriate documents of transfer, the Company shall deliver payment to the estate in cash in an amount equal to the aggregate purchase price of the Deceased Member's Units, as determined pursuant to Section 9.7 hereof; provided, however, that such cash payment shall not exceed the amount of the proceeds, if any, from any insurance held by the Company on the life of the Deceased Member, and provided further that to the extent the proceeds from any such insurance are insufficient to pay the entire aggregate purchase price, then the balance of the aggregate purchase price shall be payable in the form a promissory note issued by the Company in favor of the estate in the amount of the unpaid balance of the aggregate purchase price, as determined pursuant to Section 9.7 hereof, with principal and interest amortized in sixty (60) equal and consecutive monthly installments, beginning the month following the month in which the closing occurs, at the applicable federal mid-term rate in effect on the date of the closing, subject to the Company's right to prepay the principal, at any time and from time to time, without penalty. The debt evidenced by said promissory note shall provide for acceleration of the due date in the event of a default in payment of any installment, and shall be secured by the Company pledging the Units so purchased to the estate. Any purchase of any Units hereunder shall be deemed to be effective for all purposes, including without limitation, voting thereon, as of the date of death of the Deceased Member. If a Deceased Member's Units are purchased by the Company pursuant to this Section 9.3, then, as of the effective date of such purchase, the estate shall be deemed a creditor of the Company, and not a Member, until such purchase is consummated.

Section 9.4 Sale of Units Upon the Bankruptcy of a Member. On any date on which a Member, or, in the case of any Member who is not an individual, the owner of more than fifty percent (50%) of the ownership interest of such Member (in either case being referred to as a "Bankrupt Member"), files a petition for relief under any chapter of the Federal Bankruptcy Code or files any insolvency, receivership or other proceeding for the relief of debtors under state law, or has filed against it any such petition under the Federal Bankruptcy Code or any other such proceeding under state law which is not dismissed within sixty (60) days after the date filed (such event referred to herein as an "Event of Bankruptcy"), the Company shall have the right and option, subject to any and all necessary Bankruptcy Court approval, to purchase the all, but not less than all, of the Units owned by such Bankrupt Member upon the occurrence of such Event of Bankruptcy. The Company shall have the right to notify the Bankrupt Member or the legal representative of the estate of the Bankrupt Member, as the case may be (for purposes of this paragraph, the "seller"), of its exercise of such option within one hundred twenty (120) days after the Event of Bankruptcy. If the Company exercises such option, it shall do so by written notice to the seller, and the transaction shall be consummated at a "closing" which shall take place at a mutually agreeable time and place within ten (10) days after the Company exercises its option. If the legal representative of the estate of the Bankrupt Member, if any, has not yet been appointed, the period for closing shall instead occur within ten (10) days after such appointment. If the Company does not give written notice of its exercise of such option within such one hundred twenty (120) day period, then it shall conclusively be deemed to have rejected its option to purchase the Bankrupt Member's Units. At any such closing, against delivery of appropriate documents of transfer, the Company shall deliver payment to the seller in the form of a promissory note issued by the Company in favor of the seller in the amount of the aggregate purchase price, as determined pursuant to Section 9.7 hereof, with principal and interest amortized in sixty (60) equal and consecutive monthly installments, beginning the month following the month in which the closing occurs, at the applicable federal mid-term rate in effect on the date of the closing, subject to the Company's right to prepay the principal, at any time and from time to time, without penalty. The debt evidenced by said promissory note shall provide for acceleration of the due date in the event of a default in payment of any installment, and shall be secured by the Company pledging the Units so purchased to the seller. Any purchase of any Units hereunder shall be deemed to be effective for all purposes, including without limitation, voting thereon, as of the date of the Event of Bankruptcy. If a Bankrupt Member's Units are purchased by the Company pursuant to this Section 9.4, then, as of the effective date of such purchase, the seller shall be deemed a creditor of the Company, and not a Member, until such purchase is consummated.

Section 9.5 Sale of Units Upon the Divorce of a Member. On any date on which the Units of a Member, or, in the case of any Member who is not an individual, the owner of more than fifty percent (50%) of the ownership interest of such Member (in either case being referred to as a "Divorced Member"), are transferred, voluntarily or involuntarily, by a Divorced Member to the spouse of such Divorced Member in connection with a divorce proceeding, or other related proceeding under state law, (such event referred to herein as a "Divorce Transfer"), then, in such event, the Company shall have

the right and option to purchase all, but not less than all, of the Units owned by such Divorced Member (or transferred to the Divorced Member's spouse, as the case may be) upon the occurrence of such Divorce Transfer. The Company shall have the right to notify the Divorced Member (or his spouse, as the case may be) (for purposes of this paragraph, the "seller") of its exercise of such option within one hundred twenty (120) days after the Divorce Transfer. If the Company exercises such option, it shall do so by written notice to the seller, and the transaction shall be consummated at a "closing" which shall take place at a mutually agreeable time and place within ten (10) days after the Company exercises its option. If the Company does not give written notice of its exercise of such option within such one hundred twenty (120) day period, then it shall conclusively be deemed to have rejected its option to purchase the Divorced Member's Units. At any such closing, against delivery of appropriate documents of transfer, the Company shall deliver payment to the seller in the form of a promissory note issued by the Company in favor of the seller in the amount of the aggregate purchase price, as determined pursuant to Section 9.7 hereof, with principal and interest amortized in sixty (60) equal and consecutive monthly installments, beginning the month following the month in which the closing occurs, at the applicable federal mid-term rate in effect on the date of the closing, subject to the Company's right to prepay the principal, at any time and from time to time, without penalty. The debt evidenced by said promissory note shall provide for acceleration of the due date in the event of a default in payment of any installment, and shall be secured by the Company pledging the Units so purchased to the seller. Any purchase of any Units hereunder shall be deemed to be effective for all purposes, including without limitation, voting thereon, as of the date of the Divorce Transfer. If a Divorced Member's Units are purchased by the Company pursuant to this Section 9.5, then, as of the effective date of such purchase, the seller shall be deemed a creditor of the Company, and not a Member, until such purchase is consummated.

Section 9.6 Admission of Substituted Member. Notwithstanding any other provision of this Agreement, a transferee (including an assignee) of any Units may become a substituted Member with respect to such transferred Units only if all of the following conditions are satisfied:

(a) the parties to such transfer have executed an instrument of transfer satisfactory to the remaining Members which sets forth the intentions of the transferring Member that the transferee succeed to the transferring Member's Units;

(b) if applicable, the transferring Member shall have fulfilled the requirements of Section 9.1, Section 9.2, Section 9.3, Section 9.4 or Section 9.5;

(c) the transferee shall have paid all reasonable legal fees and filing costs incurred by the Company in connection with its substitution as a Member;

(d) the remaining Members shall have consented in writing to such substitution;

(e) the transfer shall comply with federal and applicable state securities law;

(f) the transfer, when aggregated with any prior transfers, does not result in a sale or exchange within a twelve (12) month period of fifty percent (50%) or more of the total interest in the Company's capital and profits within the meaning of Section 708(b)(1)(B) of the Code;

(g) the transferee of the Units represents, warrants and acknowledges to the Company and the remaining Members that it is acquiring the Units solely for its own account, for investment purposes and not with a view to or for resale in connection with any distribution thereof; it understands that such Units have not been registered under the Securities Act of 1933 by reason of specific exemptions under the provisions thereof; and it understands that the Company and the transferring Member are relying upon the foregoing representations for the purpose of determining whether the sale or transfer of the Units meets the requirements for such exemptions;

(h) unless waived by the Manager in writing, the transferring Member shall have delivered to the Company an Opinion of Counsel, in form and substance satisfactory to the remaining Members, to the effect that such transfer complies with the conditions set forth in clauses (e), (f) and (g) of this Section 9.6; and

(i) the transferee shall have signed a counterpart to this Agreement or the Joinder Agreement substantially in the form attached hereto as Exhibit A and shall have delivered a signed original of such counterpart or Joinder Agreement to the Company.

If clauses (a) - (i) of this Section 9.6, as applicable, are not satisfied, then the transferee is merely an assignee of the Units and shall have no voting powers.

Section 9.7 General Provisions Regarding Purchase Price. The purchase price for each Unit covered by this Agreement shall be determined as follows: (i) with respect to any sale of Units occurring upon the death of a Member pursuant to Section 9.3, the purchase price shall be the fair market value as determined under Section 9.8 below, valued as of the last day of the month during which the death of such Member occurs; (ii) with respect to any sales of Units occurring upon an Event of Bankruptcy pursuant to Section 9.4, the purchase price shall be the book value of such Units as determined under Section 9.9 below, valued as of the last day of the month during which such Event of Bankruptcy occurs; and (iii) with respect to any sale of Units occurring upon a Divorce Transfer pursuant to Section 9.5, the purchase price shall be the fair market value as determined under Section 9.8 below, valued as of the last day of the month during which the Divorce Transfer occurs.

Section 9.8 Determination of Fair Market Value. The fair market value of any Units for any calendar year to be valued under this Section 9.8 shall be determined by the certified public accountants regularly engaged by the Company to prepare its financial statements, in accordance with generally accepted accounting principles. Any valuation made pursuant to this Section 9.8 shall be made without regard to any discount for minority ownership, but may take into account any discount based on lack of marketability or other similar discounts. The determination of the fair market value of any Units transferred hereunder by such certified public accountants shall be final and binding upon the parties.

Section 9.9 Determination of Book Value.

(a) The term "book value" as used herein shall mean the percentage of the book value of all real property, equipment, securities, automobiles, and other assets owned by the Company that the Units of a Member (or, as the case may be, of his estate) selling Units owned by such Member (or by his estate) in the Company bears to all outstanding Units of the Company, and less the same percentage of all obligations and liabilities of the Company, with, however, the following adjustments and exceptions:

(i) No allowance of any kind shall be made for goodwill or any similar intangible assets of the Company.

(ii) All accounts payable (except as provided in (v) herein below) shall be taken at the face amount thereof less allowances deductible there from and all accounts receivable shall be taken at the face amount thereof, less reasonable allowances for all doubtful accounts.

(iii) All equipment and fixtures subject to an allowance for depreciation shall be taken at the straight-line depreciated value thereof as of the date of such computation.

(iv) All unpaid and accrued federal, state and municipal taxes, including but not limited to sales, payroll, unemployment insurance, excise, franchise and current and deferred income taxes, shall be deducted as liabilities provided that federal income taxes shall be accrued at the average rate applicable for the three (3) preceding tax years of the Company but in no event at a rate less than the then lowest prevailing tax rate.

(v) Any contractual obligation to continue a deceased Member's compensation or to pay a death benefit on account of his death shall not be considered a liability or obligation of the Company.

(vi) A reasonable estimate of the total of any and all employee benefit plan contributions and employee bonuses to be paid with respect to the fiscal year will be made. These amounts shall be assumed to accrue one-twelfth (1/12) monthly, resulting at the end of any given monthly period during the fiscal year in an estimated prepaid or accrued amount.

(vii) The proceeds of any insurance owned by the Company on the life of a Member whose Units are being valued hereunder shall be excluded, but the cash value of such insurance shall be included in valuing his Units.

(b) Subject to the adjustments and exceptions hereinabove set forth, the determination of "book value" hereunder shall be made from the Company books and records by the certified public accountants regularly engaged by the Company to prepare its financial statements, in accordance with the accounting principles regularly employed in preparing such statements. The determination of the book value of any Units transferred hereunder by such certified public accountants shall be final and binding upon the parties.

Section 9.10 General Transfer Provisions. All transfers pursuant to this Agreement shall be by instrument in form and substance satisfactory to counsel for the Company and shall contain an expression by the transferee of its intention to accept the assignment and to accept and adopt all of the terms and provisions of this Agreement, as the same may have been amended, and shall provide for the payment by the transferor of all reasonable expenses incurred by the Company in connection with such assignment, including, without limitation, the necessary amendments to this Agreement to reflect such transfer. The transferor shall execute and acknowledge all such instruments, in form and substance reasonably satisfactory to the Company and its counsel, as may be necessary or desirable to effectuate such transfer.

ARTICLE X
BUY-SELL

Section 10.1 Buy-Sell. Each of the following events shall constitute a "Buy-Sell Event" under this Agreement:

(a) The death, disability, declaration of legal incompetence, or dissolution and winding up of a Member;

(b) A judicial determination of the insolvency of any Member;

(c) Any filing of a petition or suit under the bankruptcy laws by or against a Member that is not dismissed within sixty (60) days;

(d) Any purported voluntary or involuntary Transfer or Encumbrance of all or any part of a Member's Membership Interest in a manner not expressly permitted by this Agreement;

(e) Any material breach of this Agreement by a Member which is not cured within ten (10) days after written notice of such breach is given to the Member by the Company;

(f) Any removal of a member, with or without Cause; and

(g) Any withdrawal of a Member from the firm, whether such withdrawal is expressly permitted by this Agreement or otherwise.

Section 10.2 Buy-Sell Notice. Upon the occurrence of a Buy-Sell Event, the Member to whom such event has occurred (the "Withdrawing Member"), or its executor, administrator, or other legal representative in the event of death or declaration of legal incompetency, shall give notice of the Buy-Sell Event (the "Buy-Sell Notice") to the Company and the other Members within ten (10) days after its occurrence. If the Withdrawing Member fails to give the Buy-Sell Notice, any other Member (other than a Withdrawing Member) may give the notice at any time thereafter and by so doing commence the buy-sell procedure provided for in this Article X.

Section 10.3 Purchase Option. Upon the occurrence of a Buy-Sell Event:

(a) In the event of a Member's death, the Company shall have the obligation to purchase (the "Company's Purchase Obligation") the Withdrawing Member's Membership Interest at Closing on the terms and conditions set forth in this Article X. In the event of any Buy Sell Event other than the death of a Member, the Company shall have an option to purchase (the "Company's Purchase Option") the Withdrawing Member's Membership Interest at Closing on the terms and conditions set forth in this Article X. The Company must give notice of its election to exercise or decline the Company's Purchase Option to the Withdrawing Member and all other Members within fifteen (15) days following delivery of the Buy-Sell Notice.

(b) If the Company declines to exercise the Company's Purchase Option, each of the Members, except the Withdrawing member and any other Withdrawing Member, shall have an option to purchase (the "Members' Purchase Option") the Withdrawing Member's Membership Interest at Closing on the terms and conditions set forth in this Article X. This right will be allocated among the Members who elect to purchase (the "Purchasing Members") in the proportion they mutually agree upon, or, in the absence of agreement, in the ratio that each of the Purchasing Member's Percentage Interest bears to the aggregate Percentage Interests of all Purchasing Members. The Purchasing members must give notice of their election to exercise the members' Purchase Option to the Withdrawing Member and all other Members within the thirty (30) days following notice of the Company declining to exercise the Company's Purchase Option.

Section 10.4 Assignment of Purchase Option. If, at the occurrence of a Buy-Sell Event, there exist only two (2) then-current Members (including the Withdrawing Member), the member that is not withdrawing shall have the option during the thirty (30) day period to assign all or part of the members' Purchase option to any Person other than the Withdrawing Member (the "Purchase Option Assignee") by notifying the Withdrawing member and the Company of such assignment in writing. After delivery of such notice, the Purchase Option Assignee shall have the option to purchase the Withdrawing member's membership Interest (to the extent so assigned) on the same terms and conditions as would apply to the member from which the Purchase option was assigned; provided, however, that the Purchase option Assignee shall not have the rights of assignment set forth in this Section 10.4. Notwithstanding any other provision of Article IX or Article X, any Purchase Option Assignee which exercises its Purchase Option, as provided herein, (i) shall only have those rights as specified above, (ii) shall not be admitted as a substitute member without full compliance as stated above and (iii) shall be subject to the Buy-Sell restrictions imposed under this Article X. In the event the Purchase option Assignee does not exercise the Purchase option, the Purchase option Assignee shall have no further rights under this Agreement.

Section 10.5 Agreement on Valuation. The purchase price for the Withdrawing Member's Membership Interest (the "Purchase Price") shall be as follows:

(a) In the event of any Buy Sell Event other than (i) the death, disability, declaration of legal incompetence of a member, (ii) a withdrawal by a member as expressly allowed by this agreement, or (iii) the removal of a Member without Cause, unless otherwise agreed in writing by the purchaser(s) and seller within sixty (60) days of the receipt of a Buy-Sell Notice, the Purchase Price shall be the Withdrawing Member's capital account balance immediately before the Buy Sell Event, as adjusted to reflect Profits, Losses and Distributions incurred or made by the Company prior to the date of the Buy Sell Event.

(b) In the event of the death of a Member, the Purchase Price shall be an amount equal to the product of (i) the amount set forth on Schedule III of the Members' agreed upon valuation of the Company (the "Company Valuation") and (ii) the Withdrawing Member's Percentage Interest. The Company Valuation will be reviewed from time to time by the Members and may be revised upon each such review on the basis of the then existing business and financial condition and prospects of the Company. Any such revision shall require the unanimous affirmative vote or written consent of the Members. Upon obtaining the required vote or written consent of the Members to revise the Company Valuation, the Managers shall, and are hereby authorized to, amend Schedule III to reflect the revised Company Valuation.

(c) In the event of (i) the disability or declaration of legal incompetence of a Member, (ii) a withdrawal of a Member or (iii) the removal of a Member without Cause:

(i) the Purchase Price, unless otherwise agreed in writing by the purchase(s) and seller within sixty (60) days of the receipt of a Buy-Sell Notice, shall be determined by a single appraisal of the fair market value without discounts of the Withdrawing Member's Membership Interest, as of the date the Buy-Sell Event occurred, made by an appraiser agreed upon by the purchaser(s) and seller, which appraisal shall be final.

(ii) If the parties cannot agree on a single appraiser, the Purchase Price shall be determined by three appraisers, one selected by the purchaser(s), one selected by the seller, and the third selected by the two appraisers. The fair market value without discounts of the Withdrawing Member's Membership Interest, determined as of the date of the Buy-Sell Event, by a majority of the appraisers will be final.

(iii) the costs of appraisal shall be borne equally between the purchaser(s) as a group and the seller.

The Purchase Price to be paid for the Withdrawing Member's Membership Interest will be reduced by the amount of any distributions made by the Company to the Withdrawing Members from the date the Buy-Sell Event occurred with respect to the Withdrawing Member to the Closing.

Section 10.6 Closing. The closing (the "Closing") of the purchase of any Membership Interest pursuant to this Article X shall take place on the date agreed upon by the purchaser(s) and seller, but not later than sixty (60) days after the date that the Purchase Price of the Membership Interests is determined pursuant to Section 10.5. The Purchase Price for each Membership Interest being purchased will be payable:

(a) In cash; or

(b) If the Company is the purchaser, a cash payment of twenty percent (20%) of the Purchase Price (plus interest accruing prior to the Closing, as provided below) shall be paid at the closing, and the balance of the Purchase Price shall be paid by execution and delivery by the Company of a promissory note in the principal amount of the balance of the Purchase Price (plus interest accruing prior to the closing, as provided below), bearing interest at a current rate not to exceed seven percent (7%) per annum, and payable in four (4) annual installments of twenty percent (20%) of the original principal, plus accrued interest, on each of the first four (4) anniversaries of the closing. The Company may prepay all or any part of any note or notes at any time following the close of the calendar year in which the closing occurs. All prepayments shall be applied first to accrued interest and then to the principal of the installments in the inverse order of their maturity. The promissory note(s) shall contain a standard acceleration clause in the event of default and a provisions for attorneys' fees in the event of suit.

The Purchase Price will bear interest from the date of the occurrence of the Buy-Sell Event until the Closing at an interest rate equal to the prime rate of interest charged by (Bank's Name), or its successor, last published prior to the occurrence of the Buy-Sell Event. Upon payment of the Purchase Price, the member selling its membership Interest shall execute and deliver such assignments and other instruments as may be reasonably necessary to evidence and carry out the transfer of its Membership Interest to the purchaser(s). In connection with the sale of any membership Interest under this Article X, unless otherwise agreed by the purchase(s) and seller, the purchase(s) will assume the seller's allocable portion of Company obligations to the extent related to the transferred interest as well as the seller's individual obligations to the extent related to the transferred interest, other than income tax liabilities of the seller. Notwithstanding any other provision of Article IX or this Article X, any transferee, assignee, or purchaser of a Member's interest, as provided herein, shall only have those rights as specified above, and shall not be admitted as a substitute Member without full compliance.

Section 10.7 Life Insurance. Each member shall obtain a policy or policies of life insurance on their own life and endorse, or otherwise assign to the Company, the death benefit of such policy or policies to the Company such that the aggregate amount of the death benefits under such policies payable to the Company equals or exceeds the sum of (i) the product of the Company Valuation per the Company Valuation Agreement called for under Section 10.5 and the Member's Percentage Interest and (ii) and an amount deemed necessary or appropriate, as determined by the managers to meet the working capital needs of the Company, in the event of the death of a Member. The amounts required by this Section 10.7 shall be set forth on Schedule III hereto.

Section 10.8 Disability Defined. As used in this Agreement, "disability" shall mean the permanent and total inability of a Member to perform the substantial and material duties of the Member's profession as an attorney in private practice, for his or her working lifetime (which is defined as the period until which he or she can collect full retirement benefits from the Social Security System), by reason of physical or mental infirmity or otherwise, taking into account "reasonable accommodations" as required by law. The determination of the existence or nonexistence of total disability shall be made by a panel consisting of three (3) medical doctors who are licensed to practice medicine in the State of North Carolina and who are not employees of the Company. One (1) member of the panel shall be selected by the Company, one (1) member shall be selected by such Member (or by an adult member of such Member's family or his legal representative if such member is unable to make such selection) and the remaining member shall be selected by the two (2) panel members selected by the Company and such Member (or his representative). The majority decision of the panel shall be determinative of the issue of total disability.

Section 10.9 Effect of the Rule Against Perpetuities. Notwithstanding any other provision of this Agreement, all options and rights to purchase or sell crated by this Agreement shall expire on the later of (a) twenty-one (21) years after the death of the last remaining child, living as of the date of this Agreement, of any Member who is a member of the Company at the time of its organization, or (b) twenty-one (21) years after the death of the last to die of the individual Members who are members of the Company at the time of its organization.

Section 10.10 Effect on Withdrawing Member's Interest. From the date of the occurrence of the Buy-Sell Event to the earlier of (i) ninety (90) days after the delivery of the Buy-sell Notice, or (ii) the date of the Transfer of the Withdrawing Member's Membership Interest at Closing under this Article X, the Percentage Interest represented by the Withdrawing Member's Membership Interest will be excluded from any calculation of aggregate Percentage Interest for purposes of any approval required of members under this Agreement. Without limiting the generality of any other provision of this Agreement, upon the exercise of the Purchase option, the Withdrawing member, without further action, will have no rights in the Company or against the Company, any Member or any Manager other than the right to receive payment for its membership interest in accordance with this Article X.

Section 10.11 Failure to Exercise Purchase Option. In the event the Company, Members or Purchase Option Assignee, if any, do not exercise their Purchase Options, the Withdrawing Member or its executor, administrator, or other legal representative in the event of death or declaration of legal incompetency, may transfer its economic rights in the membership Interest of the Withdrawing member to any Person; provided, however that any transferee of the Withdrawing Member's Membership Interest, as provided herein, (i) shall only have those rights as specified, (ii) shall not be admitted as a substitute Member without full compliance and (iii) shall be subject to the Buy-Sell restrictions imposed under this Article X.

ARTICLE XI
CESSATION OF MEMBERSHIP

Section 11.1 Cessation of Membership. Each Member covenants and agrees that it will not voluntarily resign or "dissociate" from the Company as a Member, within the meaning of Section 10-12-36 of the North Carolina Act, effective at any time prior to the dissolution of the Company, except in connection with any transfer of such Member's Units in compliance with Article IX or Article X hereof.

ARTICLE XII
DISSOLUTION AND WINDING UP

Section 12.1 Generally. During its term, the Company shall continue unless the Members agree to its dissolution, and no Member shall file or pursue with respect to the Company any dissolution or liquidation, unless this Agreement specifically provides for such dissolution.

Section 12.2 Dissolution. The business of the Company shall be terminated, its affairs wound up and its property and assets distributed on the earlier to occur of the following (each, a "Liquidating Event"):

(a) a determination by the Members that the Company shall be dissolved;

(b) bankruptcy or insolvency of the Company;

(c) the sale or other disposition of all or substantially all of the property and assets of the Company;

(d) the death, retirement, resignation, expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event which terminates the continued membership of a Member in the Company, unless there is at least one remaining Member or (i) the holders of all of the financial rights in the Company agree in writing within ninety (90) days of the cessation of membership of the last Member to continue the legal existence and business of the Company and to appoint one or more Members or (ii) the legal existence and business of the Company is continued and one or more Members are appointed in the manner stated in the Operating Agreement or Articles of Organization; or

(e) any other event causing dissolution of the Company under the North Carolina Act.

Section 12.3 Bankruptcy and Insolvency. For the purposes of this Article XII, bankruptcy shall be deemed to have occurred when the Company or a Member files or suffers a voluntary or involuntary petition under any federal or state bankruptcy law or such a petition is filed against a Member or the Company and is not dismissed within a period of sixty (60) days from the date of filing; or makes a general assignment for the benefit of creditors; or suffers the appointment of a receiver for all or substantially all of its assets; and insolvency shall be deemed to have occurred when the assets of the Company are insufficient to pay its liabilities as they mature and such entity shall so admit in writing.

Section 12.4 Winding Up. As expeditiously as possible following the occurrence of a Liquidating Event, the Company shall continue solely for the purpose of winding up its affairs in an orderly manner, liquidating its assets, and satisfying the claims of its creditors and Members and no Member shall take any action that is inconsistent with, or not necessary to or appropriate for, winding up the Company's business and affairs. To the extent not inconsistent with the foregoing, all covenants and obligations in this Agreement shall continue in full force and effect until such time as the assets have been distributed pursuant to this Section 12.4 and the Company has dissolved. The Members shall be responsible for overseeing the winding up and liquidation of the Company, shall take full account of the Company's liabilities and assets, shall cause the assets to be liquidated as promptly as is consistent with obtaining the fair market value thereof, and shall cause the proceeds there from, to the extent sufficient therefor, to be applied and distributed in the following order:

(a) First, to the payment and discharge of all of the Company's debts and liabilities to creditors other than Members;

(b) Second, to the payment and discharge of all of the Company's debts and liabilities to Members; and

(c) The balance, if any, to the Members in accordance their Capital Accounts, after giving effect to all contributions, distributions and allocations for all periods.

Section 12.5 Articles of Dissolution. Upon the completion of the distribution of Company assets as provided in Section 12.4, the Company shall be dissolved, Articles of Dissolution shall be filed and such other actions as may be necessary to dissolve the Company shall be taken.

Section 12.6 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Section 12.4 in order to minimize any losses otherwise attendant upon such winding up.

Section 12.7 Return of Capital. No Member shall be liable for the return of the Capital Contributions of any other Member, or any portion thereof, it being expressly understood that any such return shall be made solely from Company assets.

Section 12.8 Negative Capital Accounts. On a liquidation of the Company, no Member shall be required to pay to the Company or to any other Member any deficit amount in their Capital Account (such Account to be determined after the allocation of items provided for in Article V). Additionally, no Member shall be required to pay to the Company or to any other Member any deficit balance which may exist from time to time in such Member's Capital Account.

ARTICLE XIII
ACCOUNTING AND RECORDS

Section 13.1 Books and Records. The Company's books and records shall be kept at the Company's principal place of business, or such other place as the Managers may from time to time designate. The Company's books of account shall show a true and accurate record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Company's business in accordance with generally accepted accounting principles consistently applied. The Company shall use the method of accounting in the preparation of its annual reports and for tax purposes as the Members shall determine and shall keep its books accordingly. The expenses chargeable to the Company shall include only those which are reasonable and necessary for the ordinary and efficient operation of the Company's business. Each Member hereto shall, at its sole expense, have the right, at any time without notice to the other Members hereto, to examine, copy and audit the Company's books and records during normal business hours.

Section 13.2 Reports.

(a) The Manager shall within ninety (90) days after the end of each calendar year send to each Person who was a Member at any time during the year then ended such tax information as shall be necessary for inclusion by such Member in its federal income tax return and required state income and other tax information.

(b) Within one hundred and twenty (120) days after the end of each year, the Manager shall send to each Person who was a Member at any time during the year then ended an annual report including the balance sheet of the Company as of the end of such year and statements of operations, changes in Members' capital and cash flow, all of which shall be prepared in accordance with generally accepted accounting principles consistently applied. The annual report shall set forth distributions to the Member for the period covered thereby and shall separately identify distributions from Net Cash Flow, and the amount of such distributions released from Reserves established in a prior period.

Section 13.3 Tax Returns. The Company's accountants shall prepare all income and other tax returns of the Company and shall cause the same to be filed in a timely manner.

Section 13.4 Tax Matters Partner. John L. McDonald is hereby designated as the "Tax Matters Partner" of the Company within the meaning of Section 6231(a)(7) of the Code and shall have the power to manage and control, on behalf of the Company, any administrative proceeding at the Company level with the Internal Revenue Service relating to the determination of any item of Company income, gain, loss, deduction, or credit for federal income tax purposes. The Tax Matters Partner shall comply with all statutory provisions of the Code applicable to a "tax matters partner" and shall, without limitation, within thirty (30) days of the receipt of any notice from the Internal Revenue Service in any administrative proceeding at the Company level relating to the determination of any Company item of income, gain, loss, deduction, or credit, mail a copy of such notice to each Member.

Section 13.5 Federal Tax Elections. The Company, in the sole discretion of the Manager, may make all elections for federal tax purposes, including, but not limited to, an election to adjust the basis of the assets of the Company pursuant to Section 754 of the Code, and the adoption of accelerated depreciation or cost recovery methods, required or permitted to be made by the Company under the Code. A Member who acquired all or a part of its Units by a transfer with respect to which an election is not in effect under Code Section 754, and to whom a transfer of property is made with respect to the transferred Units within two (2) years after such transfer, may make the election to adjust the basis of the distributed property as provided in Code Section 732(d).

Section 13.6 Fiscal Year. The Fiscal Year of the Company shall be the calendar year, unless otherwise approved by the Members. As used in this Agreement, a Fiscal Year shall include any partial Fiscal Year at the beginning and end of the Company term.

Section 13.7 Bank Accounts. The bank accounts of the Company shall be maintained in such banking institutions as shall be determined by the Manager. Withdrawals shall be made only in the regular course of Company business and as otherwise authorized in this Agreement on such signature or signatures as the Manager may determine. The funds of the Company shall not be commingled with the funds of any other person or employed in any manner except for the benefit of the Company.

Section 13.8 Contracts. The Manager may authorize any Member or agent of the Company to enter into any contract or execute any instrument in the name of and on behalf of the Company, and such authority may be general or confined to specific instances.

Section 13.9 Regulation § 1.83-3(1) Safe Harbor. The Company is authorized and directed to elect the safe harbor for valuation of the transfer of Company Units in connection with the performance of services as being equal to the liquidation value of such Units, pursuant to Regulation 1.83-3(1) (such valuation to be referred to as the ASafe Harbor@). The Company and each of its Members (including any person to whom a Company Unit is transferred in connection with the performance of services) agree to comply with all of the requirements of the Safe Harbor with respect to all Company Units transferred in connection with the performance of services while the election remains effective.

A R T I C L E X I V
INDEMNIFICATION

Section 14.1 Indemnification of the Company.

(a) To the fullest extent permitted by the North Carolina Act, the Manager and each Member and all officers, directors, agents, Affiliates, employees and other representatives of the Manager and each Member (individually, an "Indemnitee") shall be indemnified and held harmless by the Company on an after-tax basis from and against any and all losses, claims, damages, liabilities, whether joint or several, disbursements (including legal fees and disbursements), judgments, fines, settlements and other amounts (collectively, "Costs") arising

from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, in which the Indemnitee may be involved, or threatened to be involved, as a party or otherwise, by reason of its status as the Manager or as a Member of the Company or as an officer, director, agent, Affiliate, employee or other representative of such Manager or Member, in each case related to the conduct of the Company's business, regardless or whether the Indemnitee continues to be a Manager or Member or an officer, director, agent, Affiliate, employee or other representative of such Manager or Member at the time any such liability or expense is paid or incurred, if the Indemnitee's conduct did not constitute actual fraud, gross negligence, or willful or wanton misconduct. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not, of itself, create a presumption that the Indemnitee acted fraudulently or with gross negligence or willful or wanton misconduct.

(b) To the fullest extent permitted by law, expenses incurred by an Indemnitee in defending any claim, demand, action, suit or proceeding subject to indemnification under this Section 14.1 shall, from time to time, be advanced by the Company prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the Company of any undertaking by or on behalf of the Indemnitee to repay such amount in the event the Indemnitee is determined not to be entitled to indemnification pursuant to this Section 14.1 or otherwise pursuant to applicable law.

(c) The indemnification provided by this Section 14.1 shall be in addition to any other rights to which those indemnified may be entitled under any agreement, pursuant to any vote of the Members, as a matter of law or otherwise, as to action in the Indemnitee's capacity as the Manager or Member or as an officer, director, agent, employee or other representative of such Manager or Member, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall benefit the heirs, successors, assigns and administrators of the Indemnitee.

(d) Any indemnification hereunder shall be satisfied solely out of the assets of the Company. In no event may an Indemnitee subject any Member to personal liability by reason of these indemnification provisions.

Section 14.2 Liability to Company and Members. Neither a Member nor any agent, Affiliate, employee or other representative of a Member shall be liable to the Company or to any Member for losses sustained or liabilities incurred as a result of any act or omission if such act or omission is such that such Member or such other person would be entitled to indemnification under Section 14.1 with respect to Costs relating to such act or omission.

ARTICLE XV
MISCELLANEOUS

Section 15.1 Addresses and Notices. All communications or notices provided for or permitted hereunder shall be in writing, and may be personally delivered (including delivery by private courier services), or sent by facsimile, telecopy or other direct written electronic means, charges prepaid, by overnight express mail, charges prepaid, or delivered through the United States mail, postage prepaid, return receipt requested, to the Members entitled thereto at the addresses set forth on Schedule I or to such other address as such Members may from time to time designate to the Company in such manner.

Section 15.2 Applicable Law. This Agreement shall be governed and construed and enforced in accordance with the laws of the State of North Carolina.

Section 15.3 Company Property; No Partition.

(a) All property owned by the Company, whether real, personal or mixed, tangible or intangible, shall be deemed to be owned by the Company as an entity, and no Member, by itself, shall have any direct ownership interest in such property.

(b) No Member or successor in interest to any Member may have any property of the Company partitioned, or file a complaint or institute any proceeding at law or in equity or have the property partitioned, and each Member for itself, its heirs, successors, representatives, administrators, executors and assigns, hereby waives any right to proceed under any applicable law or otherwise to partition any Company property. Any creditor of a Member shall have recourse only against such Member's Units in the Company, but such creditor shall not have any recourse against the property of the Company.

Section 15.4 No Benefit to Third Parties. The provisions of this Agreement shall not be construed for the benefit of or enforceable by a person or entity not a party hereto, including but not limited to any creditor of any Member.

Section 15.5 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the Members and their respective legal representatives, heirs, successors, representatives, administrators, executors and assigns.

Section 15.6 Headings. Section and other headings contained in this Agreement are for reference purposes only and are not intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof.

Section 15.7 Additional Documents. Each Member agrees to perform all further acts and execute, acknowledge and deliver any documents which may be reasonably necessary, appropriate or desirable to carry out the provisions of this Agreement.

Section 15.8 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.9 Counterpart Execution. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

Section 15.10 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

Section 15.11 Entire Agreement; Integration; Amendment. This Agreement, together with any agreements or instruments executed pursuant to this Agreement, contain the entire agreement of the parties with respect to the subject matter hereof as a complete and final integration thereof, and supersedes any other agreements, whether written or oral, between or among any of the parties to this Agreement. No modification, amendment, change, or discharge of any term or provision of this Agreement shall be valid or binding unless the same is in writing and signed by all of the parties hereto. No waiver of any of the terms of this Agreement shall be valid unless signed by the party against whom such waiver is asserted. In the event any provision contained in this Agreement should be breached by any party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

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

MEMBERS:

_____
John L. McDonald

_____
Michael John Myers

Section 15.8 Variation of Pronouns. All pronouns and any variations thereof shall be deemed to refer to masculine, feminine or neuter, singular or plural, as the identity of the person or persons may require.

Section 15.9 Counterpart Execution. This Agreement may be executed in any number of counterparts with the same effect as if all of the Members had signed the same document. All counterparts shall be construed together and shall constitute one agreement.

Section 15.10 Severability. Every provision of this Agreement is intended to be severable. If any term or provision hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity or legality of the remainder of this Agreement.

Section 15.11 Entire Agreement; Integration; Amendment. This Agreement, together with any agreements or instruments executed pursuant to this Agreement, contain the entire agreement of the parties with respect to the subject matter hereof as a complete and final integration thereof, and supersedes any other agreements, whether written or oral, between or among any of the parties to this Agreement. No modification, amendment, change, or discharge of any term or provision of this Agreement shall be valid or binding unless the same is in writing and signed by all of the parties hereto. No waiver of any of the terms of this Agreement shall be valid unless signed by the party against whom such waiver is asserted. In the event any provision contained in this Agreement should be breached by any party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

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

MEMBERS:

_____
John L. McDonald

_____
Michael John Myers

SCHEDULE III

Company Valuation: $ 1,000

Member	Purchase Price (%)	Working Capital (%)	Life Insurance Required
John L. McDonald	95	—	✓
Michael J. Meyers	5	—	

The foregoing Company Valuation, Purchase Price to be paid upon death of each Member and the working capital and life insurance amounts required to be obtained for the benefit of the Company by each Member are hereby agreed and consented to by the Members.

John L. McDonald — Date 10/10/12

Michael J. Meyers — Date

SCHEDULE II

Manager	Voting Percentage
John L. McDonald 2100 3rd Avenue North, Suite 920 Birmingham, AL 35203	95
Michael John Meyers 12362 Oak Avenue Bailey, NC 27807	5

SCHEDULE III

Company Valuation: $_____

Member	Purchase Price (___%)	Working Capital (___%)	Life Insurance Required
John L. McDonald			
Michael J. Meyers			

The foregoing Company Valuation, Purchase Price to be paid upon death of each Member and the working capital and life insurance amounts required to be obtained for the benefit of the Company by each Member are hereby agreed and consented to by the Members.

_____ _____

John L. McDonald Date

_____ _____

Michael J. Meyers Date

EXHIBIT A
JOINDER AGREEMENT

THIS JOINDER AGREEMENT, dated as of the _____ day of _____, 2012, by and between **OLD NORTH STATE WATER COMPANY, LLC,** a North Carolina limited liability company (the "Company") and _____ (the "Acquirer").

WITNESSETH:

WHEREAS, the Company and its Members are parties to an Operating Agreement, dated as of _____, 2012 (the "Operating Agreement");

WHEREAS, the Acquirer intends to acquire _____ Units of the Company (the "Units") for the purchase price of $_____; and

WHEREAS, the Company and the Acquirer desire that the Acquirer and the Units be subject to the terms and provisions of the Operating Agreement.

NOW, THEREFORE, the parties hereby agree as follows:

1. The Acquirer hereby acknowledges receipt of a copy of the Operating Agreement.

2. From and after the date on which the Acquirer acquires any Units (a) the Acquirer shall be a Member (as defined in the Operating Agreement), shall be a party to the Operating Agreement, and with respect to such Units, shall have all of the rights, options, privileges, duties, obligations and liabilities of a Member under the Operating Agreement, and (b) the Acquirer and such Units shall be subject to all of the terms and provisions of the Operating Agreement.

IN WITNESS WHEREOF, the parties have executed this Joinder Agreement on the date first above written.

OLD NORTH STATE WATER COMPANY, LLC

By:_____

Its:_____