



December
2018

Eagle Grove's Premier Hotel

EAGLE GROVE'S PREMIER HOTEL

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MICKEY COOPER

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January 28, 2019

Dear Prospective Investor

Enclosed you will find the pro forma and feasibility study for the proposed Eagle Grove Hotel. The group formed in September of 2017 with the committee consisting of Jim Christ, Bryce Davis, Dani Eisentrager, Clay Hansen, Peg Hill, Lisa Knigge, Mike Ryerson, and myself. These individuals formed the Eagle Grove Hotel, LLC, and started working on the plans after we determined this project was feasible. The group met weekly and each member took responsibility for different aspects of the project.

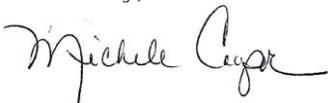
After doing extensive research, which included talks with franchises and independent entities, it was decided to go the independent route. Our conclusion was that the Eagle Grove area is a destination as we have many large companies in our community and surrounding area. The committee decided we could forgo the franchise fees and hire a management company to help with training of our staff and management and do well with “hometown” appeal. Even though the hotel will be offering a fitness room and a continental breakfast, it will also promote local businesses as they offer more full service amenities.

The decision to add a pool to the facility was also discussed. For many hotels, this is an item that becomes a maintenance issue and great expense. Eagle Grove is fortunate to have an indoor pool available at The Wellness Center, for a nominal fee, and also has an excellent outdoor aquatic center during the summer.

Regarding the property, soil samplings have been completed along with clearing the land of buildings and removal of trees deemed necessary. Any trees viable and in proper locations remain for future landscaping of the property. This was completed in a timely manner to enhance our financial position.

You will see there is a Phase 1 (hotel) and Phase 2 (convention center). They are separate entities, but will be attached. We believe this enhances our hotel with a venue that will hold up to 300 guests. Our goal is to start construction this spring with a fall completion. Eagle Grove will be very busy with a lot of new construction in the next few years and we hope to capitalize on this. There are 37 stock options available at \$25,000 each. Please feel free to reach out to me (515-689-8341) or Bryce Davis (515-851-5826) with any questions you may have. We hope you will agree that this is a very worthwhile investment.

Sincerely,



Michele “Mickey” Cooper

EXECUTIVE SUMMARY

Accomplishments

Eagle Grove Hotel, LLC, under the leadership of its Organizers, has identified and acquired property large enough to cater to a 40-room full-service quality hotel and a 300-person event center adjacent to Highway 17/Commercial Avenue in Eagle Grove. Originally, there were two residential units on the property that have been inspected and remediated for asbestos, burned, and all debris has been removed from the sites; along with approximately 50 trees have been removed to make room for a new landscaping arrangement on the site.

A Hotel Feasibility Study in Exhibit H has been completed. This Study was funded in partnership with the City, Hotel/Motel Tax Committee, and the Eagle Grove Community Development Corporation. A Hotel/Events Center Site Plan, Conceptual Rendering, and associated Cost Estimates have been provided to move forward with site preparation work before vertical construction can begin.

Eagle Grove Hotel, LLC has defined a General Contractor that has engaged an architectural firm to draft a proposed Floor Plan for the two-story facility and associated hard construction cost estimates for the hotel. Eagle Grove Hotel, LLC has surveyed the property and has conducted 5 soil borings on the property through Chosen Valley Testing.

Objectives

Eagle Grove Hotel, LLC must work with a leading financial institution to order an appraisal on the property to better understand construction and permanent debt financing terms and conditions. This will ultimately impact the Cash Flow Analysis/Return on Investment. Eagle Grove Hotel, LLC has also begun drafting a Memorandum of Understanding with the City of Eagle Grove to lay forth stipulations that the City and Eagle Grove Hotel, LLC must complete as part of their responsibilities in this important project.

Regarding the site, a bid was accepted by the Eagle Grove Hotel, LLC to remove the foundations, tree stumps, and all other debris from the site. In addition, the site would be leveled. This process is currently happening right now.

Eagle Grove Hotel, LLC is also in discussions with a hotel management firm for pre-opening services and, possibly, operating the hotel permanently provided the investors in Eagle Grove Hotel, LLC feel it is in the best interest to do so.

Financials

Total Project Costs: ~ \$2,717,109

Site Development:	\$313,109
Hard Construction:	\$2,195,000
Soft Costs:	\$209,000

Eagle Grove Hotel, LLC Pro Forma

Analysis Year	1	2	3	4	5
ADR	\$97.00	\$98.94	\$100.92	\$102.94	\$105.00
Occupancy	55.00%	58.00%	60.00%	62.00%	62.00%
Total Revenue	\$636,837	\$685,005	\$722,798	\$761,829	\$777,066
Total Expenses	\$437,233	\$478,583	\$528,977	\$570,199	\$580,603
Cash Flow Before Debt Service	\$199,604	\$206,421	\$193,821	\$191,630	\$196,463

Return Analysis

Analysis Year	0	1	2	3	4	5
Project Cost	\$ (2,717,109.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Flow Before Debt Service	\$ -	\$ 199,603.60	\$ 206,421.47	\$ 193,821.14	\$ 191,630.24	\$ 196,462.84
Residual Sale Price	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loan Funding	\$ 1,300,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service - Principal	\$ -	\$ (37,769.93)	\$ (39,801.27)	\$ (41,941.86)	\$ (44,197.57)	\$ (46,574.60)
Debt Service - Interest	\$ -	\$ (67,349.76)	\$ (65,318.42)	\$ (63,177.83)	\$ (60,922.12)	\$ (58,545.09)
TIF Assistance	\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ (917,109.00)	\$ 94,483.91	\$ 101,301.78	\$ 88,701.45	\$ 86,510.55	\$ 91,343.15

Keys to Success

1. Mitigate cost overruns during construction
2. Reduce investor equity requirements needed
3. Improve market share position through key advertising practices
4. Hire and implement a strong management program

DESCRIPTION OF THE BUSINESS

Company Ownership/Legal Entity

Eagle Grove Hotel, LLC has the legal authority to transact business in the State of Iowa as a domestic Limited Liability Corporation (LLC). Eagle Grove Hotel, LLC filed for incorporation under the Iowa Code 489.201 Domestic Limited Liability Company under Secretary of State Paul D. Pate as a perpetual organization signed by the organizers existing since the effective date of November 14, 2017 under the legal name *Eagle Grove Hotel, L.L.C.* The current registered agent and office of Eagle Grove Hotel, L.L.C is Dani L. Eisentrager of Eisentrager Law Firm located at 109 S. Commercial in Eagle Grove, Iowa 50533.

The investors in Eagle Grove Hotel, LLC will define the official name of the hotel

Eagle Grove Hotel, L.L.C will be owned in whole by shareholders through equitable interest bound and subjected by an Operating Agreement in Appendix F.

Presently, one (1) Share Value is worth \$25,000. Acquisition, transferability, dissolution, or other forms of liquidation by each individual shareholder or the L.L.C as an entity will follow the Operating Agreement enclosed within this business plan. Eagle Grove Hotel, L.L.C. shall obtain enough equitable value to commence the development of the hospitality facility and obtain construction, permanent and/or mezzanine financing to commence the development. Initially, interested investors shall sign a Confidential Letter of Intent to Purchase Shares to demonstrate their willingness to proceed with the transfer of shares for the defined value when the project commences and after debt financing has been secured to secure that the project will come to fruition. Upon notice of an official transfer date, Eagle Grove Hotel, L.L.C. shall provide the financial information where those that have signed the Confidential Letter of Intent to Purchase Shares can officially transfer funds into a financial institution of the L.L.C's choosing in exchange for Shares and their name/entity added to the official shareholder list as defined within the Operating Agreement.

Upon official vote by authorized shareholders in the Eagle Grove Hotel, L.L.C., the legal status and incorporation may be altered as approved and allowed under current law of the State of Iowa. Upon official vote by authorized shareholders in the Eagle Grove Hotel, L.L.C., the Operating Agreement may be altered as allowed under the current Operating Agreement of the limited liability corporation.

Location

The physical address may change due to the redevelopment of approximately 2.72 acres where access points from Highway 17 could be altered; however, the current address before the project officially commences is 717 S. Commercial in Eagle Grove. Please see Appendix A.

Zoning Classification: B-1 Commercial

Hotels and motels, provided that they have frontage and access on major traffic arteries.

Tax Classification:

Primary use of the property will be Commercial.

Traffic Flow

This location is adjacent to a high-travelled thoroughfare, Iowa Highway 17; where the following average traffic counts can be expected per day.

Southbound (Highway 17): 2,680

Northbound (Highway 17): 2,400

Eastbound (C54): 1,140

Westbound (C54): 670

Conceptual Plan

As more visually expressed in Appendix B, the Conceptual Plan utilized the Feasibility Study that was conducted to identify the demand and type of product that was missing from the current Eagle Grove market. This particular concept demonstrates a center-load hotel attached to a future Events Center amenity for weddings, reunions, job fairs or for any purpose. It was the focus that both developments would complement each other in a positive manner. However, both developments would be separate legal structures, separate oversight, and separate ownership with the understanding the General Manager will be the point-of-contact for all bookings and Events Center reservations so that hotel rooms may be secured for the event at a block discount.

Please see Appendix B for more information.

Exterior

Currently, the plan is designed to construct a wood-frame facility using Engineered Insulation and Finish Systems (EIFS) and brick material that has a monoslope roof for drainage. The color scheme can change upon final investor approval.

Please see Appendix B & C for more information.

Interior

This facility will be a 40-room full-service hospitality facility equipped with free Wi-Fi connectivity, offering a complimentary breakfast in the morning and a wine/beer selection in the evening, a small, but accessible convenience store, an elevator, a fitness center and a diverse room selection for different guests.

This facility will accommodate the following types of accommodations at different price levels:

- Suites
- 2 Queen Standard
- Standard

Please see Appendix C for more information.

Permits/Licenses/Certifications

Eagle Grove Hotel, LLC will need to apply for a Building Permit through the City of Eagle Grove to construct the facility. In addition, a water and sewer connection permit, driveway permit, a parking permit, and potentially a sidewalk permit will need to be submitted for approval. The City of Eagle Grove does not collect Impact Fees for this type of development. The project, in scope, does not require a Storm Water Pollution Prevention Plan (SWPPP) at this time. However, if the scope of the project dramatically increases this may be altered as required by current law. Currently, the project will follow all Statewide Urban Design and Specifications (SUDAS) standards.

The next steps for Eagle Grove Hotel, LLC would be to file for an Employer Identification Number (EIN) with the Internal Revenue Service. An EIN is also known as a Federal Tax Identification Number and is used to identify a business entity. This process can be completed with ease and requires a valid Taxpayer Identification Number (Example: SSN). In addition, Eagle Grove Hotel, LLC will also need to file an Iowa Business Tax Permit to collect and remit Sales Tax in the State of Iowa. This will allow Eagle Grove Hotel, LLC to receive a Business eFile Number (BEN) through the Iowa Department of Revenue to file sales tax returns and quarterly hotel/motel tax reports.

Eagle Grove Hotel, LLC would need to file a Hotel License Application with the Iowa Department of Inspections and Appeals. This recognizes a valid hospitality facility within the State of Iowa. In order to sell alcoholic wine and beer for on premise consumption, including room service, Eagle Grove Hotel, LLC will also need to file a Class B Liquor License through the State of Iowa Alcoholic Beverages Division. This requires dram shop protection insurance, which will be talked about in the Insurance section of this business plan.

Insurance

During construction, Eagle Grove Hotel, LLC will have Builder's Risk, Liability, Business Interruption and other forms of sufficient insurance coverage to protect against unexpected externalities that may arise as the project commences. Insurance during construction will be defined by Eagle Grove Hotel, LLC investors.

During operation, Eagle Grove Hotel, LLC will hold Liability, Workman's Compensation, Business Interruption, and other forms of sufficient insurance coverage for protection. Insurance during operation will be defined by Eagle Grove Hotel, LLC investors.

Dram Shop Protection is a precondition to holding and maintaining an Iowa liquor license. Eagle Grove Hotel, LLC will maintain Dram Shop Protection throughout the entirety of holding an Iowa liquor license for beer/wine sales and consumption on premise.

MANAGEMENT

Currently, Eagle Grove Hotel, LLC is anticipated to be run as an independent hospitality facility and not under any franchise arrangement. The theory is that Eagle Grove is a destination. Guests will be coming for employment purposes, weddings, class reunions, family reunions, etc. In other words, guests will be arriving to the community for a purpose – a reason. Therefore, if there is a quality, affordable accommodation there is an incentive to book at our location over those approximately 15 minutes away. This requires the hiring of a General Manager with hospitality industry experience that can utilize exceptional marketing strategies to inform guests about the options that this facility offers. Currently, Eagle Grove Hotel, LLC is discussing with an experienced hospitality management firm that owns and operates hotels under various franchises and other management contracts. If Eagle Grove Hotel, LLC investors feel the firm and the contract warrant a third-party management firm then this can definitely be an option to pursue and achieve.

Eagle Grove Hotel, LLC will utilize a third-party software reservation system that can be used on international platforms, such as: Expedia, Travelocity, Hotels.com, Kayak, etc. Eagle Grove Hotel, LLC shall also build a comprehensive website with the ability to reserve online, directly at a reduced cost.

Pre-Opening Services

Eagle Grove Hotel, LLC is currently discussing with the same, above hospitality firm for a service proposal for Pre-Opening Services to develop a management system, train a fully-functioning team and develop an HR policy, evaluate all product offerings, and also develop a plan for maximizing market potential and profitability. If Eagle Grove Hotel, LLC investors feel the firm and the contract warrant a third-party firm to offer Pre-Opening Services then this can definitely be an option to pursue.

Hours of Operation

This facility will operate 24/7. It is the goal of Eagle Grove Hotel, LLC to staff the facility with a General Manager operating Monday – Friday throughout normal business hours and then have a staff member authorized to transact, book, or conduct business at all other hours to satisfy the needs of our guests.

Products and Services

This hospitality venture is anticipated to offer a new product in the Eagle Grove community that would be considered a mid-market accommodation in the hospitality industry. The rooms as depicted above: Suite, 2 Queen Standard and a Standard room offer different sleeping arrangements, but all at an affordable price. The Average Daily Rate, which is computed as the average rental income per paid occupied room in a given time period or is a measure of the average rate paid for rooms sold, calculated by dividing room revenue by rooms sold, would be \$70.00.

Eagle Grove Hotel, LLC believes that each room will be higher per given night outside of any discounts, deals, or other forms of room rate deductions. As required by law, two (2) ADA-compliant Suites will be provided. There will be no ADA-compliant 2-Queen Standard or Standards rooms available within the property. The Eagle Grove Hotel, LLC may implement more Suites that fall under ADA regulation.

FINANCIAL MANAGEMENT

The finances for Eagle Grove Hotel, LLC will be overseen by the investor group with the General Manager being in charge of the day-to-day operations. Eagle Grove Hotel, LLC shall set the budget for the fiscal year and modify as needed based on the recommendation from key personnel. The General Manager will be required to collect, draft, and remit weekly, monthly, quarterly, and year-end information as required by the investor group and the Certified Public Accountant (CPA) firm hired to audit, collect, and/or file monthly, quarterly, and/or annual returns as required by current and future law for Eagle Grove Hotel, LLC.

The CPA accounting firm will be hired by Eagle Grove Hotel, LLC based on a decision of the investor group.

DEMAND

Based on current large employer demand, Eagle Grove Hotel, LLC believes the following to be an estimated depiction of the current demand:

- One local employer used over 300 rooms in one year.
- One local employer just needs a Corporate Account, but cannot guarantee usage.
- One local employer needs a hotel with a CLC-credential for their employees.
- Another large employer will use about 2 rooms per night for customers, suppliers, and employees.

Couple these numbers with class reunions, family reunions, weddings, and other fun family events that happen throughout the year – the demand is there!

MARKETING

There will be many forms of advertisement used to reach the intended target market. The power of a website is critical. When employees or individuals are looking to make a trip to Eagle Grove they will most likely to go Google.com or to perform a search to reserve a room online when they are preparing their travel plans. Having a reservation system online and having a presence online will assist in that process. Using social media will also contribute to informing people of our presence. Our initial target market will be as follows:

- Local employers bringing in customers/suppliers/work associates, etc.
- Existing residents so that they can spread word-of-mouth ads to individuals that are coming to visit.
- Previous residents of Eagle Grove that may be looking to visit the community again.
- Event specific marketing opportunities, such as: Summerfest, Wright County Fair, etc.

Competition/Pricing

Based on Hotels.com December 27, 2017 pricing

Hotel	Distance	Price/Night
Sandman – Eagle Grove	3 Minutes	\$50.00
Boulders – Clarion	17 Minutes	\$94.00
Clarion Hometown – Clarion	17 Minutes	\$62.00
Americ Inn – Humboldt	27 Minutes	\$110.00
Super 8 – Humboldt	27 Minutes	\$65.00
Americ Inn – Webster City	24 Minutes	\$83.00
Super 8 – Webster City	24 Minutes	\$75.00
Cobblestone Inn & Suites – Fort Dodge	27 Minutes	\$82.00
Country Inn & Suites – Fort Dodge	28 Minutes	\$82.00
Holiday Inn & Express – Fort Dodge	29 Minutes	\$120.00
Sleep Inn – Fort Dodge	<u>37 Minutes</u>	<u>\$85.00</u>
Average	~24 Minutes	\$82.55

Based on our competition, we feel that our proforma and average daily rate are in line with pricing against the competition across the region. As prices fluctuate, it is important that we understand our competition and how we price against them. The General Manager will be required to understand this and provide ways to entice guests to stay in our hotel over commuting from an average of 24 minutes away.

AMENITIES

Greenwood Park is adjacent to the Wright County Fairgrounds. One of the most used parks in the county is located on a 31-acre campus in east Eagle Grove. It houses the newer Family Aquatic Center, the skateboard park, four softball/baseball diamonds, the Wright County Fairgrounds, two basketball hoops, playground equipment, grills, restrooms, shelters, and camping facilities.

The Wellness Center believes fitness is not a hobby, but a way of life. The Wellness Center was founded to be the second home for all of its customers. Whether you exercise every day, never stepped into a gym before, or need therapy - The Wellness Center can help shape the new you.

Thinking about a history lesson? Eagle Grove's Carnegie Library is the home of the Eagle Grove Historical Museum. Built in 1903, the museum is on the National Register of Historic Places. The Museum is ready for visitors to enjoy.

The Three Rivers Trail, just northwest of Eagle Grove, travels along the West Fork of the Des Moines River. The historic trail offers visitors miles of uninterrupted woodlands, marshes, river valleys and open prairies. The trail is 33 miles long. Three Rivers Trail can be used for hiking, nature viewing, biking, cross-country skiing, and snowmobiling.

The annual Wright County Fair in Eagle Grove, just east of Greenwood Park. Provides fun for all types of fairgoers, but other times during the summer they are open for booking. Consider renting spaces for family reunions, class reunions, and other opportunities!

Aside from parks, museums, and fitness opportunities, the City of Eagle Grove provides multiple eating establishments that can accommodate many cravings.

- Nine & Dine Restaurant at the Eagle Grove Country Club
- Family Table
- B&S Crossing
- Rails Bar & Grill
- El Taco Riendo
- Sam's Chinese Kitchen
- Twiin Shoppe
- Subway
- Smoke Shop
- LeWright's Deli
- The Farm

Throughout the year, the Eagle Grove Chamber puts on many valuable events and programs that brings in visitors from all around. Outside of the Wright County Fair, Summerfest is a multi-day extravaganza that hosts a movie in the park for children, fun and games for all ages, adult tournament games, and an evening band.

FINANCIALS

Total Product Costs

Eagle Grove Hotel, LLC

Eagle Grove, IA

Development Costs

Land (with Site Improvements & Community Fees)		\$ 313,109.00
	Raw Land	\$ 175,000.00
	Permit & Community	\$ 5,609.00
	B.E.N	\$ -
	Building Permit	\$ 2,475.00
	Sidewalk Permit	\$ -
	Sewer/Water Tapping/Inspection Fees	\$ 200.00
	Hotel License Application Fee	\$ 54.00
	Class B Liquor License	\$ 2,880.00
	Site Preparation	\$ 132,500.00
	Sewer	\$ 10,000.00
	Water	\$ 5,000.00
	Electric	Completed
	Tree Removal	\$ 5,000.00
	Grading & Fill	\$ 20,625.00
	Storm Sewer	\$ 50,075.00
	Sidewalk	\$ 10,000.00
	Mobilization and Protection	\$ 31,800.00
Building and Site Construction		\$ 2,195,000.00
	Architectural/Structural/Civil/Construction	\$ 1,780,000.00
	FFE	\$ 415,000.00
Indirect Costs		\$ 209,000.00
	Conceptual Planning	Completed
	Appraisal	Completed
	Survey/Geo Tech	Completed
	Feasibility Study	Completed
	Pre-Opening Services	\$ 26,000.00
	Legal & Accounting Fees	\$ 5,000.00
	Construction Period Interest / Loan Fees / Closing	\$ 13,000.00
	Insurance & Taxes During Construction	\$ 15,000.00
	Working Capital	\$ 150,000.00
	Total Project Development Costs	<u>\$ 2,717,109.00</u>
	<i>Cost / Room</i>	<i>\$ 84,909.66</i>

Proposed Capital Stack

Eagle Grove Hotel, LLC

Source of Funds

Equity	\$ 917,109.00	34%
Low-Interest Loans		0%
Bank Financing	\$ 1,300,000.00	48%
Tax Increment Financing	\$ 500,000.00	18%
Total Funds Available	\$ 2,717,109.00	100.00%

5-Year Pro Forma

		Eagle Grove Hotel, LLC Proforma					Rooms	32
Analysis Year		1	2	3	4	5		
ADR	% Increase	\$ 97.00	\$ 98.94 2.0%	\$ 100.92 2.0%	\$ 102.94 2.0%	\$ 105.00 2.0%		
Occupancy		55.00%	58.00%	60.00%	62.00%	62.00%		
Revenues (% of Total Revenue)								
Room	Year 1 \$/Room Year	\$ 623,128	\$ 670,259	\$ 707,239	\$ 745,430	\$ 760,338	%	
Other Miscellaneous Revenue		\$ 428,400	\$ 13,709	\$ 14,746	\$ 15,559	\$ 16,399	%	
Total Revenue		\$ 19,901.15	\$ 636,837	\$ 685,005	\$ 722,798	\$ 761,829	100%	
Departmental Expenses (% of Total Revenue)								
Room (Includes Breakfast & Reception)		\$ 1,393.08	\$ 44,579	\$ 47,950	\$ 50,596	\$ 53,328	7.0%	
Other Miscellaneous		\$ 199.01	\$ 6,568	\$ 6,850	\$ 7,228	\$ 7,618	1.0%	
Total Departmental Expenses		\$ 1,592.09	\$ 50,947	\$ 54,800	\$ 57,824	\$ 60,946	8.0%	
GROSS OPERATING INCOME		\$ 18,309.06	\$ 585,890	\$ 630,204	\$ 664,974	\$ 700,883	92.0%	
Undistributed Operating Expenses (% of Total Revenue)								
Payroll		\$ 5,970.35	\$ 191,051	\$ 205,501	\$ 216,839	\$ 228,549	30.0%	
Benefits		\$ 895.55	\$ 28,658	\$ 30,825	\$ 32,526	\$ 34,282	4.5%	
Sales & Marketing		\$ 398.02	\$ 12,737	\$ 13,055	\$ 13,316	\$ 13,583	2.0%	
Utilities		\$ 995.06	\$ 31,842	\$ 34,250	\$ 36,140	\$ 38,091	5.0%	
Other Operating Expenses		\$ 398.02	\$ 12,737	\$ 13,700	\$ 14,456	\$ 15,237	2.0%	
Total Undistributed Operating Expenses		\$ 8,657.00	\$ 277,024	\$ 297,332	\$ 313,278	\$ 329,742	44%	
INCOME BEFORE FIXED CHARGES		\$ 9,652.06	\$ 308,866	\$ 332,872	\$ 351,697	\$ 371,141	49%	
Fixed Operating Expenses (% of Total Revenue)								
General Expenses		\$ 2,189.13	\$ 70,052	\$ 75,351	\$ 79,508	\$ 83,801	11.0%	
Real Estate Taxes		\$ 31.25	\$ 1,000	\$ 10,000	\$ 35,000	\$ 50,000	6.4%	
Insurance		\$ 597.03	\$ 19,105	\$ 20,550	\$ 21,684	\$ 22,855	3.0%	
Reserve for Replacement		\$ 597.03	\$ 19,105	\$ 20,550	\$ 21,684	\$ 22,855	3.0%	
Total Fixed Operating Expenses		\$ 3,414.45	\$ 109,262	\$ 126,451	\$ 137,876	\$ 149,511	25%	
CASH FLOW BEFORE DEBT SERVICE		\$ 6,237.61	\$ 199,604	\$ 206,421	\$ 213,821	\$ 221,630	25%	

Eagle Grove Hotel Group, LLC

Analysis Year	Return Analysis					
	0	1	2	3	4	5
Project Cost	\$ (2,717,109.00)	\$ -	\$ -	\$ -	\$ -	\$ -
Cash Flow Before Debt Service	\$ -	\$ 199,603.60	\$ 206,421.47	\$ 193,821.14	\$ 191,630.24	\$ 196,462.84
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Debt Service - Principal	\$ -	\$ (37,769.93)	\$ (39,801.27)	\$ (41,941.86)	\$ (44,197.57)	\$ (46,574.60)
Debt Service - Interest	\$ -	\$ (67,349.76)	\$ (65,318.42)	\$ (63,177.83)	\$ (60,922.12)	\$ (58,545.09)
TIF Assistance	\$ 500,000.00	\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Flow	\$ (917,109.00)	\$ 94,483.91	\$ 101,301.78	\$ 88,701.45	\$ 86,510.55	\$ 91,343.15

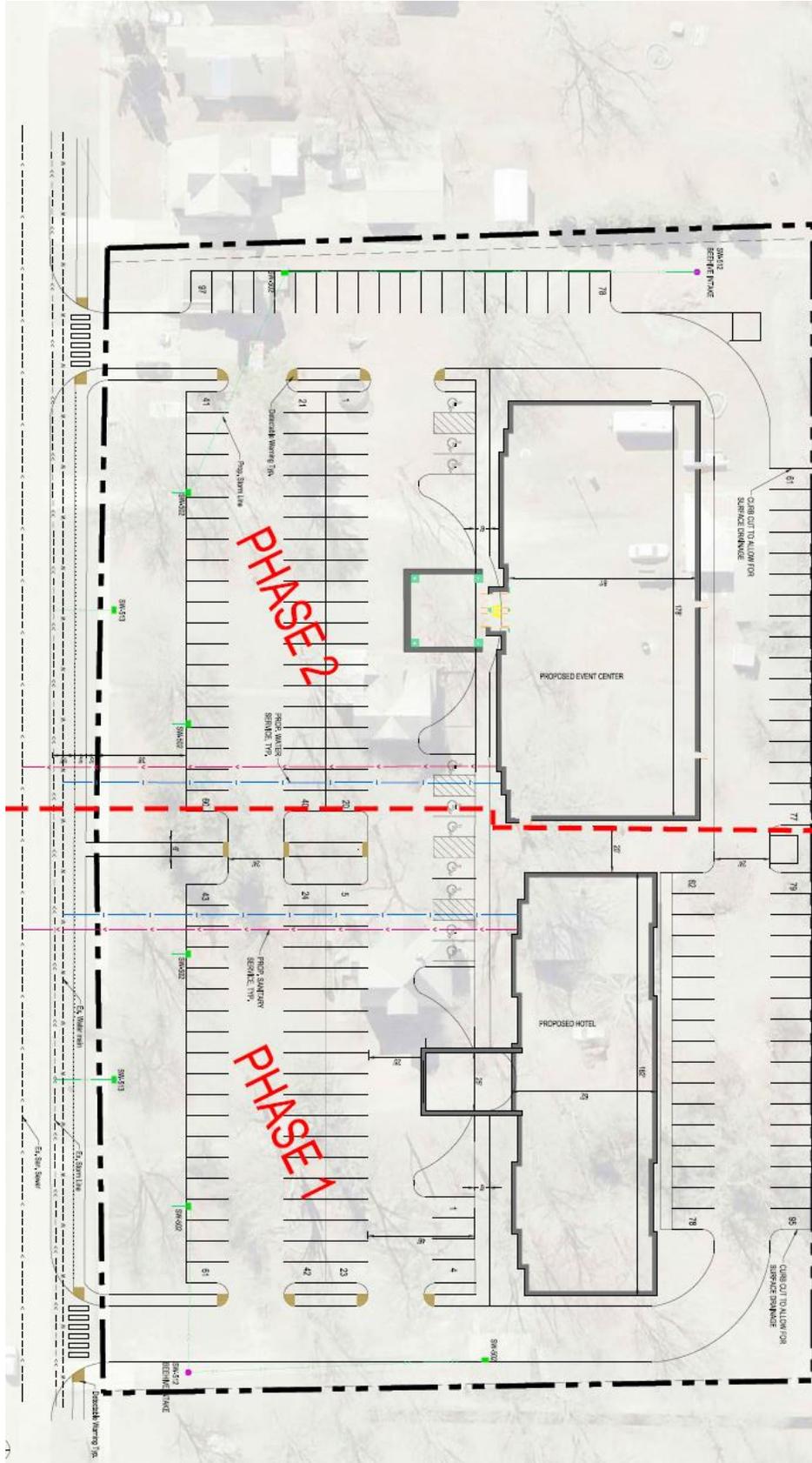
5-Year Cash Flow Analysis

Breakeven Analysis

Breakeven Rates (assuming expenses are fixed)

Occupancy Rate (@ \$100.00 ADR)	41.63%
Average Daily Rate (@ 55% Occupancy Rate)	\$75.69

APPENDIX A: PROPOSED SITE MAP

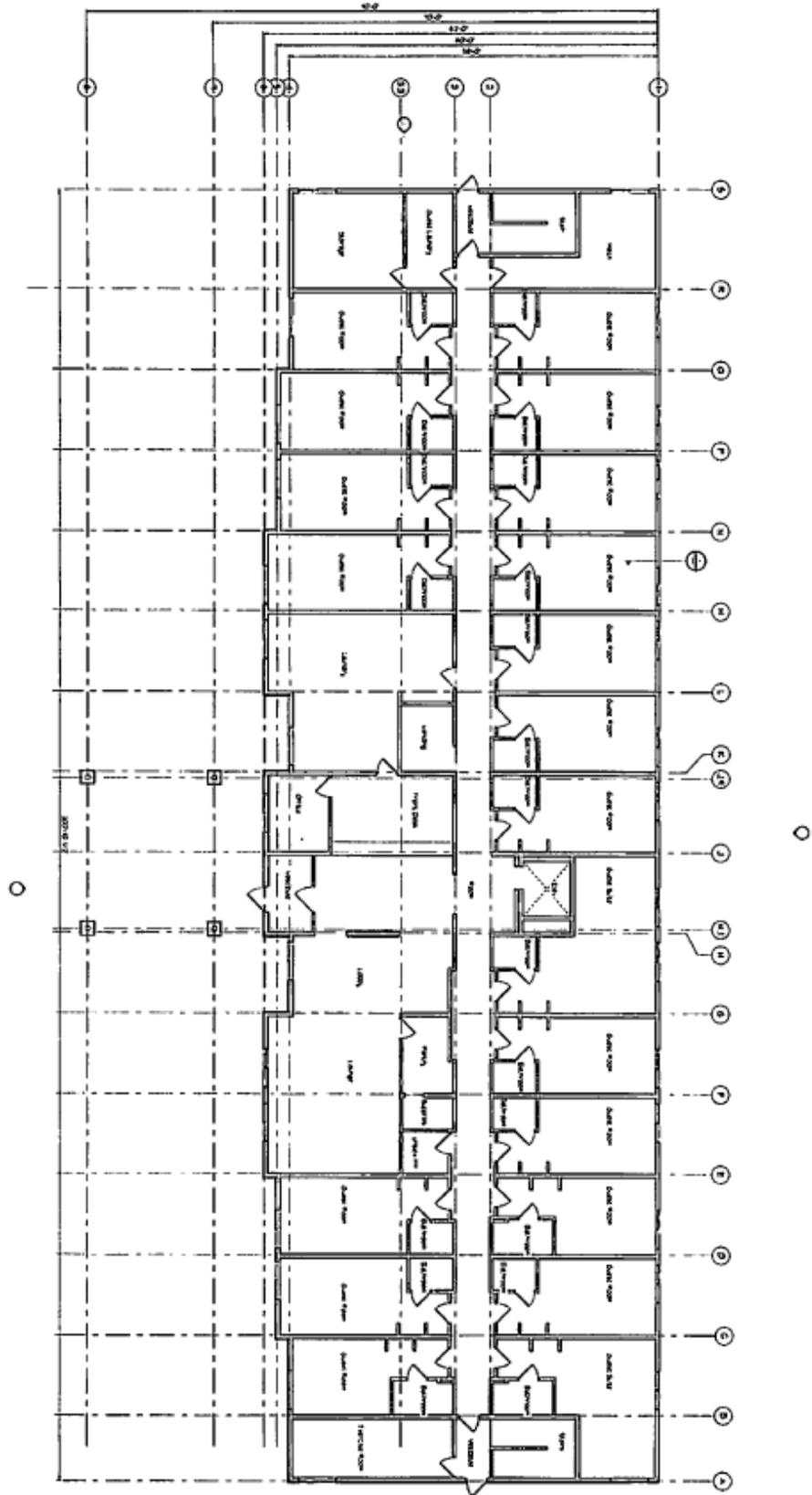


APPENDIX B: PROPOSED CONCEPTUAL PLAN

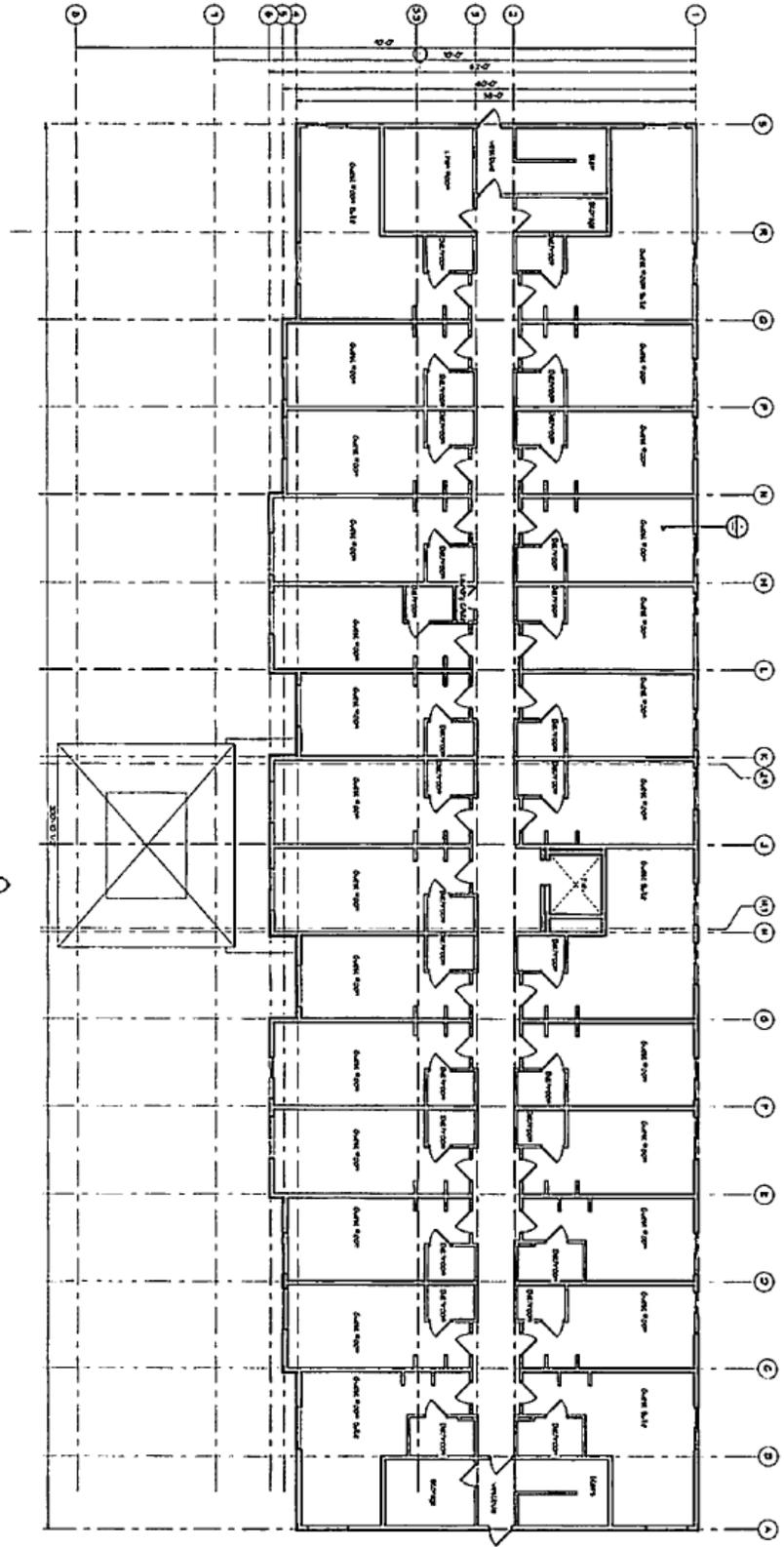


APPENDIX C: PROPOSED FLOOR PLANS

1 Ground Floor



1 Second floor
Scale 1/8" = 1'-0"



APPENDIX D: CERTIFICATE OF ORGANIZATION

**CERTIFICATE OF ORGANIZATION
OF
EAGLE GROVE HOTEL, L.L.C.**

**TO THE SECRETARY OF STATE
OF THE STATE OF IOWA:**

Pursuant to Iowa Code Section 489.201, the undersigned adopts the following Certificate of Organization:

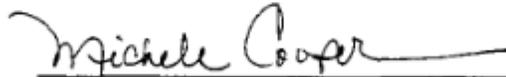
**ARTICLE I
Name**

The name of the Limited Liability Company is EAGLE GROVE HOTEL, L.L.C.

**ARTICLE II
Initial Registered Agent and Registered Office**

The street address of the Company's initial registered office in Iowa is 109 S. Commercial, Eagle Grove, Iowa 50533, and the name of its registered agent at such address is Dani L. Eisentrager.

Dated November 8, 2017.



Michele Cooper, Organizer



Clay Hansen, Organizer

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APPENDIX E: CONFIDENTIAL INTENT TO INVEST

INTENT TO INVEST

_____, 2019

Eagle Grove Hotel, LLC
c/o Eisentrager Law Office

P.O. Box 346
Eagle Grove, IA 50533

Dear Eagle Grove Hotel, LLC:

As our understanding of the proposed hospitality facility being developed and operated by Eagle Grove Hotel, LLC (the “Company”) has increased, so has our enthusiasm about this investment’s future. We are excited about participating with the Organizers and other Members of the Company to invest, financially and throughout time, to increase value for the shareholders. We feel that a financial investment by the undersigned combined with our contribution to the Company’s strategic direction and management, will significantly enable the Company to take full advantage of the opportunities for creating value.

1. The undersigned is pleased to submit the following non-binding indication of interest to propose to acquire \$____,____ worth of membership shares in Eagle Grove Hotel, LLC with the expressed intent of assisting the Company in improving the operation and value of the Company.

2. Consummation of this proposal will be subject to the undersigned’s completion of, and satisfaction with, a customary business, financial and legal due diligence review of the Company and proposed management and operations.

3. Accordingly, the Company hereby grants the undersigned the right to purchase the above-described shares of the Company until such time as all the outstanding share capital has been acquired through execution of definitive written agreements (“Agreement to Purchase Shares”). There are a limited number of shares that will be available for investors to purchase. Once we have an agreement for the purchase of all membership shares, even if you have signed this intent to invest, you will no longer be allowed to purchase any membership shares.

4. This letter represents only a preliminary indication of interest and does not constitute a contract, commitment, undertaking or other binding obligation or limitation on the part of any person. In addition it does not constitute a binding and enforceable obligation of the Company or the undersigned. Except as specifically provided in the immediately preceding sentence, this letter does not constitute an offer or proposal capable of acceptance. Any obligation of the undersigned or its affiliates with respect to an investment in the Company will be only as set forth in a definitive written agreement (“Agreement to Purchase Shares”) executed by the undersigned. This letter and the matters set forth herein are confidential and may not be

disclosed to any third party without the written consent of the undersigned. This preliminary indication expires the earlier of (i) the signing of any Agreement to Purchase or memorandum of understanding, or (ii) December 31, 2018.

The following can be contacted for any additional information or in case it is necessary to clarify this letter:

Name: _____]

Phone: (____-____-____)

Email: _____

Sincerely,

Undersigned

By: _____

Printed Name: _____

Phone: (____-____-____)

Agreed and Accepted as of the date first written above:

Eagle Grove Hotel, LLC

By: _____

Title: _____

APPENDIX F: OPERATING AGREEMENT

OPERATING AGREEMENT BY THE MEMBERS OF EAGLE GROVE HOTEL, L.L.C.

ARTICLE I ORGANIZATION OF THE COMPANY

1.01. Formation. The parties to this Agreement have agreed to the formation and are Members **EAGLE GROVE HOTEL, L.L.C.**, a limited liability company organized under the provisions of the Iowa Revised Uniform Limited Liability Company Act (the “Company”). A certificate of organization has been filed with the Iowa Secretary of State. The Managers may take such further actions as they deem necessary to permit the Company to conduct business as a limited liability company in any other jurisdiction.

1.02. Principal Office. The principal office of the Company shall be at 109 S. Commercial, Eagle Grove, IA 50533, or such place as may be designated from time to time by the Managers. The Managers may establish additional places of business for the Company.

1.03. Business Purpose of the Company.

(a) The purpose of the Company shall be: (i) to acquire, own, develop, hold for investment, operate, manage, maintain, lease, finance, refinance, pledge, sell, exchange, or otherwise dispose of or deal with the Property; and (ii) to engage in such other activities as are necessary, appropriate, customary, convenient, or incidental to the foregoing purpose. The Company shall not engage in any other business or activity without the unanimous written consent of all Members. The authority granted to the Managers shall be limited to actions necessary, convenient or related to this purpose.

(b) The Company shall have all the powers and rights necessary or convenient to carry out the purposes for which it is formed, including the powers granted by the Act.

ARTICLE II MEMBERS

2.01. Initial Members. The names and addresses of the Members, their Capital Contribution, and their share of the Net Profits and Net Losses of the Company shall be set forth on the Members Schedule attached hereto as Schedule A (the “Members Schedule”):

The Managers shall maintain and update the Members Schedule upon the issuance or transfer of any Membership Interests to any new or existing Member in accordance with this Agreement.

2.02. Additional Members.

(a) A person other than a Transferee shall become a Member of the Company upon: (i) the unanimous consent of the Members; (ii) payment of the agreed upon Capital Contribution to the Company by the person; and (iii) the person signing an addendum to this Agreement agreeing to be bound to its terms.

(b) A Transferee becomes a Member upon the: (i) unanimous consent of the Members other than the transferor-Member and (ii) the Transferee signing an addendum to this Agreement agreeing to be bound to its terms.

(c) A Member who has transferred his or her entire Transferable Interest ceases to be a Member once the Transferees of his or her entire Transferable Interest become Members.

(d) Changes to the names and addresses of the Members and the names and addresses of new Members shall be identified by an addendum to this Operating Agreement.

(e) A person shall become a Member if, within ninety (90) consecutive days after the Company ceases to have any Members and all of the following occur:

(1) The last person to have been a Member, or the legal representative of that person, designates a person to become a Member; and

(2) The designated person consents to become a Member.

2.03. Liability for Required Contributions. A Member is liable to the Company for his or her Capital Contribution. In addition, any Member who fails to make a required Capital Contribution may have his or her Transferable Interest forfeited and he or she may be expelled as a Member of the Company pursuant to Section 7.04.

A person's obligation to make a contribution to the Company is not excused by the person's death, disability, or other inability to perform personally. If a person does not make a required contribution, the person or the person's estate is obligated to contribute money equal to the value of the part of the contribution which has not been made, at the option of the Company.

2.04. Additional Capital; Limitation. Other than the contributions of the Members set forth in Section 2.01 and new Members as provided in Section 2.02, no Member shall be required to make any additional contributions to the capital of the Company nor be obligated to restore any negative Capital Account as defined in Section 4.01. No Member shall have any liability to the Company, to the other Members, or to the creditors of the Company on account of any deficit balance in such Member's Capital Account except to the extent such deficit arises from the failure of the Member to contribute the full amount of his or her Capital Contribution which he or she was obligated to contribute. No Member shall be entitled to interest on any Capital Contribution or on such Member's Capital Account.

2.05. Member Authority Limited. A Member is not an agent of the Company solely by reason of being a Member. Unless expressly authorized to do so by the Managers, no Member shall have any power or authority to bind the Company in any way or to render it financially liable for any purpose.

2.06. Liability of Members. The debts, obligations, or other liabilities of the Company, whether arising in contract, tort, or otherwise, belong solely to the Company and do not become the debts, obligations, or liabilities of a Member solely by reason of the Member acting as a Member.

2.07 Units. Ownership in the Company shall be represented by units of ownership interest ("Units") which shall be issued to the initial Members and to any new or additional member. The Units shall be issued in proportion to the Member's percentage of ownership in the Company, i.e. one Unit per one percent of ownership. The Units may be represented by certificates issued by the Company. The initial Members shall be issued Units in the Company as indicated on Exhibit A.

ARTICLE III MANAGEMENT

3.01. Management of the Company. The business and affairs of the Company shall be managed, operated, and controlled by or under the direction of the manager(s) who are identified in Schedule B (the "**Managers**"). Subject to the provisions of Section 3.05 the Managers shall have, and are hereby granted, full and complete power, authority, and discretion for, on behalf of, and in the name of the Company to take such actions as it may deem necessary or advisable to carry out any and all of the objectives

and purposes of the Company.

3.02 Number, Election and Term of Managers.

(a) The number of Managers shall be fixed from time to time by the affirmative vote of Members holding at least fifty-one per cent (51%) of the outstanding Membership Interests, but the number of Managers shall not be less than three (3), nor more than five (5). The Company shall initially have three (3) Managers, who shall be:

(b) Managers shall be appointed, from time to time by the affirmative vote of Members holding a majority of the outstanding Membership Interests. Each Manager, including each of the initial Manager(s) named in this Agreement, shall serve for a term ending at the next meeting of Members called for the purpose of electing Managers, or until the Manager's earlier death, resignation, or removal.

(c) The Managers shall maintain a schedule of all Managers with their respective mailing addresses (the "**Managers Schedule**"), and shall update the Managers Schedule upon the removal or replacement of any Manager in accordance with this Section 3.02 or Section 3.03. A copy of the Managers Schedule as of the execution of this Agreement is attached hereto as Schedule B.

3.03 Removal; Resignation; Vacancies.

(a) Members holding at least fifty-one per cent (51%) of Membership Interests may remove all or a lesser number of Managers, with or without cause.

(b) A Manager may resign at any time by delivering his written resignation to the Company. Any such resignation shall be effective upon receipt thereof unless it is specified to be effective at some other time or upon the occurrence of some other event. The acceptance of a resignation by the other Managers shall not be necessary to make it effective.

(c) The resignation or removal of a Manager who is also a Member shall not constitute a withdrawal or expulsion of the Manager as a Member of the Company or otherwise affect the Manager's rights as a Member. If a Manager resigns or is removed, a meeting of Members to elect a successor must be called promptly and held as soon as reasonably possible.

3.04 Action by Managers.

(a) If there is more than one Manager serving, all decisions requiring action of the Managers or relating to the business or affairs of the Company shall be decided by the affirmative vote or consent of a majority of the Managers.

(b) On any matter that is to be voted on by Managers, a Manager may vote in person or by proxy, and such proxy may be granted in writing, by means of Electronic Transmission or as otherwise permitted by applicable law. Every proxy shall be revocable in the discretion of the Manager executing it unless otherwise provided in such proxy; *provided*, that such right to revocation shall not invalidate or otherwise affect actions taken under such proxy prior to such revocation.

(c) Any action of the Managers may be taken without a meeting if either: (i) a written consent of all of the Managers shall approve such action; *provided*, that prior written notice of such action is provided to all Managers at least five (5) Business Day before such action is taken; or (ii) a written consent constituting all of the Managers shall approve such action. Such consent shall have the same force and effect as a vote at a meeting and may be stated as such in any document or instrument filed with the Secretary of State of Iowa. Notwithstanding the foregoing, the failure to provide five days' notice of any action of the Managers by written consent shall not invalidate such action if all of the Managers: (x) believes in good faith that the action required must be taken prior to expiration of such five-day notice period; and (y) has made a good-faith attempt to deliver such notice and the necessity of such action to each of the relevant Managers prior to such action being taken.

(d) General Scope of Powers and Authority. Except for matters on which the Members' approval is required by the Iowa Limited Liability Act or by this Agreement, the Manager has full power, authority, and discretion to manage and direct the Company's business, affairs and properties, including, without limitation, the specific powers referred to in Section 3.04(e) below.

(e) Specific Powers.

(1) Subject to the limitations set forth in subsection (3) and in Section 3.05 below, the Manager is authorized on the Company's behalf to make all decisions as to (i) the management of all or any part of the Company's assets and business; (ii) the development, sale, lease or other disposition of the Company's assets; (iii) the purchase or other acquisition of other assets of all kinds; (iv) the borrowing of money and the granting of security interests in the Company's assets (including loans from Members); (v) the prepayment, refinancing or extension of any mortgage affecting the Company's assets; (vi) the compromise or release of any of the Company's claims or debts; (vii) the employment or retention of Persons for the operation and management of the Company's business; and (viii) all elections available to the Company under any federal or state tax law or regulation.

(2) Subject to the limitations in subsection (3) and Section 3.05 below, the Manager on the Company's behalf may execute and deliver (i) all contracts, conveyances, assignments, leases, subleases, franchise agreements, licensing agreements, management contracts and maintenance contracts covering or affecting the Company's assets; (ii) all promissory notes, mortgages, deeds of trust, security agreements and other similar documents; (iii) all articles, certificates and reports pertaining to the Company's organization, qualification and dissolution; (iv) all tax returns and reports; and (v) all other instruments of any kind or character relating to the Company's affairs.

(3) The Manager on the Company's behalf may execute and deliver all contracts and all checks, drafts and other orders for the payment of the Company's funds to the extent such contracts (or series of contracts) do not obligate the Company in an amount in excess of Fifty Thousand Dollars and No Cents (\$50,000.00) or such orders (or series of orders) do not exceed the amount of Fifty Thousand Dollars and No Cents (\$50,000.00).

3.05 Actions Requiring Approval of Members. The unanimous written approval of all Members shall be necessary to authorize any of the following acts or transactions by the Managers on behalf of the Company:

(a) Amend, modify, or waive the Articles of Organization or this Agreement; *provided* that the Managers may, without the consent of the Members, amend the Members Schedule following any new issuance, redemption, repurchase, or transfer of Membership Interests in accordance with this Agreement;

(b) Issue additional Membership Interests or admit additional Members to the Company, except as otherwise permitted by this Agreement;

(c) Incur any indebtedness, pledge or grant liens on the Property or any other assets or guarantee, assume, endorse, or otherwise become responsible for the obligations of any other person in excess of \$25,000.00 in a single transaction or series of related transactions, or in excess of \$25,000.00 in the aggregate at any time outstanding, except as otherwise outlined in a budget pre-approved by the Members;

(d) Make any loan, advance, or capital contribution to any person in excess of \$25,000 except as otherwise outlined in a budget pre-approved by the Members;

(e) Appoint or remove the Company's auditors or make any changes in the accounting methods or policies of the Company (other than as required by GAAP);

(f) Incur any capital expenditures in an amount in excess of \$25,000 except as otherwise outlined in a budget pre-approved by the Members;

(g) Enter into or effect any transaction or series of related transactions involving the purchase, lease, license, exchange, or other acquisition (including by merger, consolidation, acquisition of stock, or acquisition of assets) by the Company of any assets and/or equity interests of any person, other than in the ordinary course of business consistent with past practice;

(h) Enter into or effect any transaction or series of related transactions involving the sale, lease, license, exchange, or other disposition (including by merger, consolidation, sale of stock or sale of assets) by the Company of all or substantially all of the Company's assets, which is to occur as part of a single transaction or plan, other than sales of inventory in the ordinary course of business consistent with past practice;

(i) Establish a subsidiary or enter into any joint venture or similar business arrangement;

(j) Settle any lawsuit, action, dispute or other proceeding or otherwise assume any liability with a value in excess of \$25,000 or agree to the provision of any equitable relief by the Company;

(k) Initiate or consummate an initial public offering or make a public offering and sale of the Membership Interests or any other securities;

(l) Make any investments in any other person in excess of \$25,000, except as otherwise outlined in a budget pre-approved by the Members;

(m) Adopt any annual budget, as described in Section 3.06; or

(n) Merge, consolidate, dissolve, wind-up, or liquidate the Company or initiate a bankruptcy proceeding involving the Company.

3.06 **Budgets.** Not later than thirty (30) days before the end of each fiscal year, the Managers must furnish to the Members for their approval in accordance with Section 3.05, an annual operating budget for the Company, in detail for the upcoming fiscal year, including capital and operating expense budgets, cash flow projections, covenant compliance calculations of all outstanding and projected indebtedness, and profit and loss projections, all itemized in reasonable detail (the “**Annual Budget**”). If the Annual Budget has not been approved by the beginning of the next fiscal year, the Managers shall operate the Company on the basis of the Annual Budget for the prior fiscal year until a new Annual Budget has been adopted. The Managers shall amend the budgets when changes occur and otherwise as they determine appropriate or necessary, provided such changes do not increase the approved Annual Budget by more than \$25,000; provided, however, that where emergency action is necessary to prevent imminent risk to health and safety, imminent property damage or imminent imposition of criminal or civil sanctions against the Company or any Member, the Managers may make, or cause to be made, expenditures not contemplated by the Annual Budget if: (a) any expenditure made without approval is, in the Managers’ good faith judgment, reasonable under the circumstances, and (b) the Managers endeavor diligently and in good faith: (i) to immediately notify the Members of any such emergency; and (ii) obtain verbal approval for any required expenditure (“**Emergency Expense**”). The Managers shall provide a copy of the budgets and each amendment thereto or modification thereof to each Member.

3.07 **Compensation and Reimbursement of Managers; No Employment.**

(a) The Managers shall not be compensated for their services as Managers, but the Company shall reimburse the Managers for all ordinary, necessary, and direct expenses incurred by the Managers in performance of their duties as Managers. All reimbursements for expenses shall be reasonable in amount in the aggregate for any Fiscal Year. Nothing contained in this Section 3.07 shall be construed to preclude any Manager from serving the Company in any other capacity and receiving reasonable compensation for such services.

(b) This Agreement does not, and is not intended to, confer upon any Manager any rights with respect to continued employment by the Company, and nothing herein should be construed to have created any employment agreement with any Manager.

3.08. **Officers.** The Managers may appoint themselves or other individuals (whether or not employees or Members of the Company) as officers of the Company, which may include, but shall not be limited to, any one or more of the following: (1) a President; (2) one or more Vice Presidents; (3) a Secretary; and (4) a Treasurer.

The Managers may delegate their day-to-day management responsibilities to any such officers, as determined by the Managers from time to time, and such officers shall have the authority to contract for, negotiate on behalf of and otherwise represent the interests of the Company as so authorized by the Managers. Unless the Managers decide otherwise, if the title is one commonly used for officers of a business corporation formed under the Iowa Business Corporation Act, the assignment of such title shall constitute the delegation to such individual of the authority and duties that are normally associated with that office and that are set forth in the contract or resolution appointing such officer or officers, subject, however, to any specific delegation of authority and duties or specific restriction on the authority and duties as may be made under or set forth in any such contract or resolution. In all events, the officers shall be subject to the direction and control of the Managers. Such delegation by the Managers shall not

cause any Manager to cease to be a Member or Manager of the Company.

If the Managers determine to appoint one or more officers for the Company, each such officer shall hold office until his or her death, resignation, or removal.

An officer may resign at any time by delivering notice to the Managers. A resignation is effective when the notice is delivered unless the notice specifies a later effective date.

Any officer may be removed by the Managers at any time, with or without cause, but such right of removal shall be without prejudice to and subject to the contract rights, if any, of the person so removed.

3.09. Fiduciary Duties. The Managers and officers owe to the Company and the Members the fiduciary duties of loyalty and care stated in subsections (a) and (b).

(a) The duty of loyalty of a Manager or officer includes all of the following duties:

(1) To account to the Company and to hold as trustee for it any property, profit, or benefit derived by the Manager or officer regarding any of the following:

- (A) In the conduct or winding up of the Company's activities;
- (B) From a use of the Company's property; and
- (C) From the appropriation of a Company opportunity.

(2) To refrain from dealing with the Company in the conduct or winding up of the Company's activities as or on behalf of a person having an interest adverse to the Company.

(3) To refrain from competing with the Company in the conduct of the Company's activities before the dissolution of the Company.

(b) Subject to the business judgment rule as stated in subsection (e), the duty of care of a Manager or officer in the conduct and winding up of the Company's activities is to act with the care that a person in a like position would reasonably exercise under similar circumstances and in a manner the Manager reasonably believes to be in the best interests of the Company.

(c) A Manager or officer shall discharge his or her duties under this Agreement and exercise any rights consistently with the contractual obligation of good faith and fair dealing.

(d) All of the Members may authorize or ratify, after full disclosure of all material facts, a specific act or transaction that otherwise would violate the duty of loyalty.

(e) A Manager or officer satisfies the duty of care in subsection (b) if all of the following apply:

- (1) The Manager or officer is not interested in the subject matter of the business judgment;
- (2) The Manager or officer is informed with respect to the subject of the business judgment to the extent the Manager or officer reasonably believes to be appropriate in the circumstances; and
- (3) The Manager or officer has a rational basis for believing that the business judgment is in the best interests of the Company.

(f) A Member does not have any fiduciary duty to the Company or to any other Member solely by reason of being a Member.

3.10. Managers and Officers Have No Exclusive Duty to Company. So long as he or she does not violate 3.09(a) above, neither a Manager nor an officer, solely by reason of being a Manager or officer, shall be required to manage the Company as his or her sole and exclusive function, and a Manager or officer 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 any Manager or officer or to the income or proceeds derived therefrom.

3.11. Statements of Authority. The Managers are authorized on behalf of the Company to deliver to the Iowa Secretary of State for filing a statement of authority. The statement may provide with respect to any Manager or officer, the authority, or limitations on the authority, of all persons holding the position to do any of the following:

- (a) Execute an instrument transferring real property held in the name of the Company; and
- (b) Enter into other transactions on behalf of, or otherwise act for or bind, the Company.

3.12. Use of Professionals. In exercising their powers, the Managers may rely upon and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, or document believed by them to be genuine and to have been signed or prepared by another Manager, Member, officer or employee of the Company, or by any other person (including legal counsel, accountants, and other experts), as to matters for which the Managers reasonably believe such person is a competent and reliable source for the information. Reliance on any opinion of an independent counsel, accountant or expert whom the Managers reasonably believe is a competent and reliable source for the information shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by the Managers in good faith and in accordance with such opinion.

3.13. Meeting of Managers.

(a) Quorum. A quorum for a meeting of Managers shall consist of a majority of the number of Managers.

(b) Regular Meetings. Regular meetings of the Managers shall be held at such place and at such times as the Managers may, from time to time, decide. No notice shall be required for any regular meeting of the Managers.

(c) Special Meetings. Special meetings of the Managers, for any purpose, may be called from time to time by the Managers or by a majority vote of the Members. Written notice indicating the date, time, place, and purpose of any special meeting shall be delivered to each Member and Manager not less than two (2) days before the date of the meeting.

(d) Place of Meetings. The Managers may designate any place as the place of any Manager meeting. If the Managers do not designate the place for any Manager meeting, such Manager meeting shall be held at the Company's principal office.

(e) Meeting of All Managers. Subject to subsection (f), if every Manager is present at any meeting, even without notice, the meeting shall be valid and Managers may take any lawful action at such meeting.

(f) Waiver.

(1) A Manager may waive any notice required by this Agreement before or after the date and time stated in the notice. The waiver must be in writing, be signed by the Manager entitled to the notice, and be delivered to the other Managers.

(2) A Manager's attendance at a meeting: (A) waives objection to lack of notice or defective notice of the meeting, unless the Manager at the beginning of the meeting or promptly upon the Manager's arrival objects to holding the

meeting or transacting business at the meeting, and (B) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Manager objects to considering the matter when it is presented.

(g) Action by Managers Without a Meeting. Any action required or permitted to be taken at a Manager meeting may be taken without a meeting and without notice if the action is taken by all Managers and if each Manager signs a written consent describing the action to be taken and files such consent with the Company records. Action taken under this subsection shall be effective when all Managers entitled to vote have signed the consent, unless the consent specifies a different effective date.

(h) Participation By Other Means. Managers may participate in any Manager meeting by any means of communication that allows all Managers participating therein to simultaneously hear each other. Participating in such a meeting shall constitute attendance at such meeting.

3.14. Liability Limitation and Indemnification of the Managers and Officers.

(a) A Manager or officer shall not be personally liable to the Company or the Members for money damages for any action taken, or any failure to take any action, except liability for any of the following:

- (1) A breach of the duty of loyalty;
- (2) A financial benefit received by the Manager or officer to which the Manager or officer is not entitled;
- (3) An improper distribution under Section 4.05(b) of this Agreement;
- (4) Intentional infliction of harm on the Company or a Member; or
- (5) An intentional violation of criminal law.

(b) Any Manager or officer shall be defended, indemnified, and held harmless by the Company from and against any and all losses, claims, damages, liabilities, settlements and other amounts arising from any and all claims (including reasonable legal fees and expenses), demands, actions, suits or proceedings (civil, criminal, administrative or investigative), in which he or she may be involved, as a party or otherwise, by reason of his or her management of the Company, whether or not he or she continues to be Manager or officer at the time any such liability or expense is paid or incurred; provided that neither the Manager nor the officer shall be entitled to the foregoing indemnification if a court of competent jurisdiction determined that such losses, claims, damages, liabilities, expenses, or such other amounts resulted primarily from either his or her (1) gross negligence or willful misconduct or (2) a breach of his or her fiduciary duties set forth in § 3.09 of this Agreement. The termination of a proceeding by judgment, order, settlement or conviction upon a plea of *nolo contendere*, or its equivalent, shall not, of itself, create any presumption that such losses, claims, damages, liabilities, expenses, or such other amounts resulted primarily from the gross negligence or willful misconduct of the Manager or officer, or that the conduct giving rise to such liability was not in the best interest of the Company. The Company shall indemnify any Manager or officer who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that such Manager or officer is or was an agent of the Company, against any losses, claims, damages, liabilities, settlements, expenses, legal fees or any other amounts incurred by such Manager or officer in connection with the defense or settlement of such action; provided that the Manager or officer shall not be entitled to the foregoing indemnification if a court of competent jurisdiction shall have determined that any such losses, claims, damages, liabilities, expenses or such other amounts resulted primarily from (1) the gross negligence or willful misconduct or (2) a breach of his or her fiduciary duties set forth in § 3.09 of this Agreement. The Company shall advance a Manager or officer any expenses (including, without limitation, reasonable legal fees and expenses) incurred as a result of any claim, demand, action, suit or proceeding referred to in this paragraph (b) provided that (1) the legal action, suit, etc. relates to the performance of duties or services by the Manager or officer on behalf of the Company; and (2) the Manager or officer gives a full recourse promissory note to the Company for the amounts of such advances payable in the event that the Manager or officer is determined to be not entitled to indemnification under

this Agreement.

(c) The indemnification provided by paragraph (b) of this Section 3.14 shall not be deemed to be exclusive of any other rights to which the Managers or officers may be entitled under any agreement, as a matter of law, in equity or otherwise, and shall continue as to the Managers or officers who have ceased to have an official capacity and shall inure to the benefit of the heirs, personal administrators, executors, successors and assigns of the Managers or officers.

(d) Any indemnification pursuant to this section will be payable only from the assets of the Company.

(e) The Company may purchase and maintain insurance on behalf of a Member or Manager against liability asserted against or incurred by the Member or Manager in that capacity or arising from that status.

ARTICLE IV ALLOCATIONS AND DISTRIBUTIONS

4.01. Capital Accounts.

(a) A capital account (a “**Capital Account**”) shall be established for each Member. Each Capital Account will be increased by: (i) the amount of money contributed by such Member to the Company; (ii) the Gross Asset Value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); and (iii) the Net Profits allocated to the Member. Each Capital Account will be decreased by: (i) the amount of money or, to the extent permissible under Treasury Regulations § 1.704-1(b)(2)(iv)(e)(2), notes distributed to such Member by the Company; (ii) the Gross Asset Value of property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under § 752 of the Code); and (iii) the amount of Net Losses allocated to such Member.

(b) In the event a Member transfers a Transferable Interest, the Capital Account associated with such transfer shall become the Capital Account of the Transferee to the extent it relates to the Transferable Interest.

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 4.01 is intended, and shall be construed, so as to comply with the requirements of § 704(b) of the Code and the Treasury Regulations, and in the event there exists any inconsistency, the Code and the Treasury Regulations shall control.

4.02. Allocation of Net Profits and Net Losses. Except as provided in Section 4.03, the Net Profits and Net Losses of the Company for each Fiscal Year shall be allocated among the Members in accordance with Section 2.01 of this Agreement and among new Members as provided in relevant addendum to this Agreement.

4.03. Regulatory Allocations. The Capital Accounts of the Members are to be maintained in accordance with the Code and the Treasury Regulations, including without limitation the alternative test for economic effect set forth in Treasury Regulations § 1.704-1(b)(2)(ii)(d) and the minimum gain chargeback provisions of Treasury Regulations § 1.704-2, but nothing in this Agreement is intended to create a deficit restoration obligation or otherwise impose personal liability on a Member for a deficit in his or her Capital Account. Without limiting the generality of the foregoing:

(a) If any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations §§ 1.704-1(b)(2)(ii)(d)(4), (5), or (6), which create or increase a deficit in its Adjusted Capital Account, then items of the Company’s income and gain for such year and, if necessary, for subsequent years shall be specially credited to the Adjusted Capital Account of the Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the deficit in the Adjusted Capital Account as quickly as possible,

provided that an allocation pursuant to this Section 4.03(a) shall be made only if and to the extent that such Member would have a deficit Adjusted Capital Account after all other allocations provided for in this Section 4.03 have been made as if Section 4.03(a) were not in this Agreement. It is the intent that this section be interpreted to comply with the alternate test for economic effect set forth in Treasury Regulations § 1.704-1(b)(2)(ii)(d).

(b) In the event any Member has a deficit Capital Account at the end of any Fiscal Year which is in excess of the sum of: (i) the amount such Member is obligated to restore pursuant to any provision of this Agreement, if any, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of §§ 1.704-2(g)(1) and 1.704-2(i)(5) of the Treasury Regulations, 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 4.03(b) shall be made only if and to the extent that such Member would have a deficit Adjusted Capital Account in excess of such sum after all other allocations provided for in this Section 4.03 have been made as if Section 4.03(a) and this Section 4.03(b) were not in this Agreement.

(c) Except as otherwise provided in § 1.704-2(f) of the Treasury Regulations, and notwithstanding any other provision of this subsection, if there is a net decrease in partnership minimum gain during any Fiscal Year, each Member shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Member's share of the net decrease in partnership minimum gain, determined in accordance with Treasury Regulation § 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 §§ 1.704-2(f)(6) and 1.704-2(j)(2) of the Treasury Regulations. This subsection is intended to comply with the minimum gain chargeback requirement in § 1.704-2(f) of the Treasury Regulations and shall be interpreted consistently therewith.

(d) Except as otherwise provided in § 1.704-2(i)(4) of the Treasury Regulations, and notwithstanding any other provision of this subsection, if there is a net decrease in partner nonrecourse debt minimum gain attributable to a partner nonrecourse debt during any Fiscal Year, each Member who has a share of the partner nonrecourse debt minimum gain attributable to such partner nonrecourse debt, determined in accordance with § 1.704-2(i)(5) of the Treasury Regulations, shall be specially allocated items of Company income and gain for such Fiscal Year (and, if necessary, subsequent Fiscal Years) in an amount equal to such Member's share of the net decrease in partner nonrecourse debt minimum gain attributable to such partner nonrecourse debt, determined in accordance with Treasury Regulation § 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 § 1.704-2(i)(4) and 1.704-2(j)(2) of the Treasury Regulations. This Section is intended to comply with the minimum gain chargeback requirement in § 1.704-2(i)(4) of the Treasury Regulations and shall be interpreted consistently therewith.

(e) Nonrecourse deductions for any Fiscal Year shall be specially allocated among the Members in proportion to their respective Transferable Interest in the Company.

(f) Any partner nonrecourse deductions for any Fiscal Year shall be specially allocated to the Member who bears the economic risk of loss with respect to the partner nonrecourse debt to which such partner nonrecourse deductions are attributable in accordance with Treasury Regulation § 1.704-2(i)(1).

(g) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code § 734(b) or Code § 743(b) is required, pursuant to Treasury Regulation §§ 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount 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 Member in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Treasury Regulations.

(h) Notwithstanding the provisions of Section 4.02, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Members so that, to the extent possible, without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Member shall be equal to the net amount that would have been allocated to each such Member if the Regulatory Allocations had not occurred. For purposes of applying the foregoing sentence, allocations pursuant to this subsection (h) shall only be made with respect to allocations pursuant to subsection (g) hereof to the extent the Managers reasonably determines that such allocations will otherwise be inconsistent with the economic agreement among the Members.

(i) The Managers shall have reasonable discretion, with respect to each Fiscal Year, to (i) apply the provisions of subsection (h) hereof in whatever order is likely to minimize the economic distortions that might otherwise result from the Regulatory Allocations, and (ii) divide all allocations pursuant to subsection (h) hereof among the Members in a manner that is likely to minimize such economic distortions.

(j) In the event that any debt of the Company is properly characterized as equity for U.S. federal income tax purposes, the holder of such debt shall be treated for purposes of maintaining Capital Accounts and for U.S. federal income tax purposes as a “partner”; Net Profit and Net Loss shall be computed without deducting any amount that would have been treated as interest if the debt had been properly classified as “debt” for U.S. federal income tax purposes; and the amount that otherwise would have been so deducted shall instead be specially allocated to holder of such recharacterized debt.

4.04. Tax Allocations. The Company’s net taxable income or loss (and each item of income, gain, loss or deduction comprising such net taxable income or loss), as determined for federal income tax purposes, shall be allocated among the Members in the same proportions as the corresponding items of “book” income, gain, loss and deduction are allocated pursuant to Sections 4.02 and 4.03 hereof. Notwithstanding the foregoing sentence, federal income tax items relating to (a) any property contributed to the Company if there was as of immediately following the contribution a difference between the Gross Asset Value of such property and the Company’s adjusted tax basis in such property and (b) any property revalued pursuant to Section 10.09(d) of this Agreement if as of immediately following such revaluation there was a difference between the Gross Asset Value of such property and the Company’s adjusted tax basis in such property, shall be allocated among the Members in accordance with § 704(c) of the Code and Treasury Regulations §§ 1.704-1(b)(2)(iv)(f) and (g), 1.704-1(b)(4)(i) and 1.704-3 to take into account the difference between the Gross Asset Value and the adjusted tax basis of such property.

4.05. Distribution of Cash and Other Property.

(a) Nonliquidating Distributions. After establishing reserves for current and future Company obligations (as determined in the reasonable discretion of the Managers), and such other Company investments and expenditures as determined by the Managers, money and other property available for distribution may, as determined by the Managers, be distributed from time to time to the Members. Any such distributions made by the Company before its dissolution and winding up must be in equal shares among any person owning a Transferable Interest, except to the extent necessary to comply with any charging order in effect under Iowa Code § 489.503. Other than as provided above, a person does not have a right to a distribution. A Member’s dissociation does not entitle the Member to a distribution.

A Member does not have a right to demand or receive a distribution from the Company in any form other than money. The Company may distribute an asset in kind if each part of the asset is fungible with each other part and each Member receives a percentage of the asset equal in value to the Member’s share of distributions. Distributed assets shall be valued at their Gross Asset Value for purposes of the distribution and shall be treated for financial accounting purposes as if sold at their Gross Asset Value immediately prior to the distribution, with any resulting profits or losses allocated among the Members per their interests in such profits or losses.

If a Member or Transferee becomes entitled to receive a distribution, the Member or Transferee has the status of, and is entitled to all remedies available to, a creditor of the Company with respect to the distribution. The Company's indebtedness to a Member incurred by reason of a distribution made in accordance with this section is at parity with the Company's indebtedness to its general, unsecured creditors.

(b) Limitation upon Distributions. The Company shall not make a distribution if after the distribution any of the following applies:

- (1) The Company would not be able to pay its debts as they become due in the ordinary course of the Company's activities;
- (2) The Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the Company were to be dissolved, wound up, and terminated at the time of the distribution, to satisfy the preferential rights upon dissolution, winding up, and termination of Members whose preferential rights are superior to those of persons receiving the distribution; or
- (3) The payment of the distribution would be a default by the Company under any agreement for borrowed money by the Company, whether after notice, lapse of time or otherwise.

(c) The Company may base a determination that a distribution is not prohibited under subsection (b) on financial statements prepared on the basis of accounting practices and principles that are reasonable in the circumstances or on a fair valuation or other method that is reasonable under the circumstances.

(d) Except as otherwise provided in subsection (f), the effect of a distribution under subsection (b) is measured as follows:

(1) In the case of a distribution by purchase, redemption, or other acquisition of a Transferable Interest in the Company, as of the date money or other property is transferred or debt incurred by the Company.

(2) In all other cases, as follows:

(A) The date that distribution is authorized, if the payment occurs within one hundred twenty (120) days after that date.

(B) The date that payment is made, if the payment occurs more than one hundred twenty (120) days after the distribution is authorized.

(e) The Company's indebtedness, including indebtedness issued in connection with or as part of a distribution, is not a liability for purposes of subsection (b) if the terms of the indebtedness provide that payment of principal and interest are made only to the extent that a distribution could be made to Members under this section. If indebtedness is issued as a distribution, each payment of principal or interest on the indebtedness is treated as a distribution, the effect of which is measured on the date the payment is made.

(f) In subsection (b) "distribution" does not include amounts constituting reasonable compensation for present or past services or reasonable payments made in the ordinary course of business under a bona fide retirement plan or other benefits program.

ARTICLE V TRANSFER OF TRANSFERABLE INTERESTS; NEW MEMBERS

5.01. Admission of Additional Members. No additional Member may be admitted to the Company, without the unanimous approval of the Members.

5.02. Transfers by the Manager. Subject to the provisions of this Agreement, any person who acquires,

in any manner whatsoever, the interest, or any portion thereof, of the Manager shall not be a Member or the Manager and shall only be entitled to become a Member upon the acquisition of Membership Interests in accordance with the conditions and requirements of this Agreement.

5.03. Transfers by Members.

(a) No Member (including a Manager) may sell, assign, pledge, encumber, give or otherwise transfer his Membership Interests without the prior unanimous consent of the Members, and except to the extent and in the manner herein provided. Any such transfer not in accordance with the provisions hereof shall be void and of no legal or equitable force or effect.

(b) Any permitted transferee of an interest of a Member shall take same subject to and be fully bound by the terms and conditions of this Agreement.

5.04. Involuntary Lifetime Transfer.

(a) In the event any Member shall make or suffer an Involuntary Lifetime Transfer, he, she or it shall immediately give written notice thereof to the Manager (or if such Member fails to notify the Manager of an Involuntary Lifetime Transfer, when the Manager determines that such Member has suffered an Involuntary Lifetime Transfer) ("Involuntary Member Offer"), the Company shall have the right, but not the obligation, to buy the Membership Interests subject to the Involuntary Lifetime Transfer owned by such Member immediately prior to making or suffering the Involuntary Lifetime Transfer.

(b) The purchase price of the Membership Interests acquired from a Member pursuant to an Involuntary Member Offer shall be the fair market value of the Membership Interests, taking into account lack of marketability, liquidation preference and minority discounts. The fair market value of the Membership Interests shall be as agreed to by the Company and the Member (or his representative) within thirty (30) days from the date of the Involuntary Lifetime Transfer (a "Repurchase Event"). If the Company and the Member are unable to agree on a fair market value of the Membership Interests, the Company and the Member each shall appoint a qualified independent appraiser of their respective choice within five (5) days after the end of the 30-day period referred to herein, and both appraisers shall have ten (10) days from the date of their appointment to select a third appraiser (the "Independent Appraiser"). The fair market value of the Membership Interests shall be determined by the Independent Appraiser taking into account lack of marketability, liquidation preference, and minority discounts. The fees and expenses of the Independent Appraiser shall be apportioned between the Company and the applicable Member pro rata based on the ratio of (i) the difference between (x) the fair market value determined by the Independent Appraiser and (y) the Company's or Member's determination of such fair market value, as applicable, to (ii) the difference between the Member's and the Company's determination of the fair market value (e.g., if the fair market value determined by (A) the Company was \$100, (B) the Member was \$200 and (C) the Appraiser was \$175, the Company would bear 75% of the cost of the Independent Appraiser's engagement $((175-100)/100)$ and the Member would bear 25% of the cost of the Independent Appraiser's engagement $((200-175)/100)$). Notwithstanding the foregoing; in the event that the Involuntary Lifetime Transfer is of the type described in subsection (ix) of the definition of "Involuntary Lifetime Transfer" set forth in Section I, the purchase price of the Membership Interests acquired from such Member by the Company shall be the lesser of (1) the fair market value as determined above and (2) 110% of the unreturned amount of Capital Contribution for such Membership Interests, which amount shall be adjusted as set forth in Section 5.04(c) below.

(c) The aggregate purchase price of the Membership Interests pursuant to Section 5.04(b) shall be offset by any amounts paid to the Member from the date of the Involuntary Lifetime Transfer until the date the Involuntary Lifetime Transfer is disclosed by the Member to the Manager, or the date that the Manager discovers the Involuntary Lifetime Transfer. In addition, in the event that the aggregate purchase price for the Membership Interests is insufficient for the Company to

offset all amounts paid or disbursed to the Member who has an Involuntary Lifetime Transfer, as aforesaid, the Member making the Involuntary Lifetime Transfer shall reimburse the Company for all amounts paid or disbursed to said Member not offset against the aggregate purchase price for the Membership Interests.

5.05 Receipt of Bona Fide Offer/Right of First Refusal.

If any Member receives a bona fide written offer to purchase all or any of the Membership Interests of such Member (the "Selling Member") from a bona fide purchaser ("Bona Fide Offer"), which the Selling Member desires to accept, the Selling Member shall, prior to transferring such Membership Interests pursuant to the Bona Fide Offer, give notice to the Company, which notice shall constitute, to the extent set forth, an offer ("Member Offer") to sell the Membership Interests which are subject to the Bona Fide Offer, at the same price and upon the same terms as are contained in the Bona Fide Offer, all subject to the provisions of this Section 5.05. The Member Offer shall be accompanied by a copy of the Bona Fide Offer, and evidence that the entire purchase price of the Membership Interests has been deposited in escrow.

(b) The Company shall have the right to accept, in whole, the Member Offer, by service of acceptance on the Selling Member hereto within thirty (30) days after the receipt of the Member Offer.

(c) If the Company does not elect to purchase all of the Membership Interests offered pursuant to the Bona Fide Offer, the Selling Member shall notify all of the other Members holding Membership Interests in writing of the Member Offer and the number of offered Membership Interests still available for sale (the "Remaining Membership Interests"). Each other Member shall thereupon be entitled for a period of twenty (20) days after the date of such notice to purchase at the same price and upon the same terms as are contained in the Bona Fide offer that proportion of the Remaining Membership Interests as the number of Membership Interests held by such Member bears to the total number of Membership Interests held by all other Members. The other Members may exercise the rights granted them hereby, in whole or in part, by notifying the Selling Member in writing during such twenty (20) day period.

(d) If any other Member entitled to exercise the right of first refusal under Section 5.05(c) does not exercise such rights in whole as to the Membership Interests proposed to be sold, the Selling Member shall so notify the other Members who did exercise their rights under Section 5.05(c) in whole (the "Participating Other Members") by providing them with written notice transmitted within five (5) days after the expiration of the twenty (20) day period in which such rights could have been exercised. For a period of ten (10) days from the date of such notice, each Participating Other Member shall thereupon be entitled to purchase that proportion of the Membership Interests which could have been purchased by the Other Members who did not exercise their rights granted under Section 5.05(c) in whole, as the number of Membership Interests held by such Participating Other Members bears to the total number of Membership Interests held by all Participating Other Members. Participating Other Members may exercise the rights granted them hereby, in whole or in part, by notifying the Selling Member in writing during such ten (10) day period.

(e) If the Company and the other Members collectively do not exercise the rights granted pursuant to Sections 5.05(b), (c) and (d) as to all of the Membership Interests proposed to be sold, then the Selling Member shall be free, for the ensuing thirty (30) days, to sell the Membership Interests pursuant to the terms and conditions of the Bona Fide Offer free and clear of the restrictions contained in this Section 5.05. If the sale is not consummated within said thirty (30) day period, the restrictions contained in this Section 5.05 shall be fully restored and shall continue in full force and effect.

(f) For an offer to qualify as a Bona Fide Offer hereunder:

- (i) Purchase price therein must be payable by cashier's or certified check, and
- (ii) Such offer must be accompanied by a cashier's or certified check in the full amount of the

purchase price specified in the Bona Fide Offer.

5.06 Closing. The closing of any transaction provided for under Sections 5.04 or 5.05 (the "Closing") shall be on or before the one hundred twentieth (120th) day (or if such day is not a regular business day, the first business day thereafter) next following (i) the acceptance of an Involuntary Member Offer by the Company pursuant to Section 5.04, or (ii) the acceptance of last Member Offer by the Company or any other Member, as applicable, pursuant to Section 5.05.

(a) Unless otherwise agreed, the Closing shall take place at the offices of the Company on the Closing Date at 10:00 a.m.

(b) The purchase price shall be paid in cash at the Closing of such purchase; provided, however, that in the event the purchase price, in the aggregate, exceeds \$25,000.00, the purchase price may be paid by delivery of an unsecured promissory note subordinated and junior in right of payment to all other indebtedness of the Company, with customary terms and conditions, payable in three (3) equal annual installments, with the first installment due at the closing and the subsequent annual installments due on the successive anniversary dates of the closing. Interest shall accrue from the date of the closing on the balance of the purchase price remaining unpaid from time to time at the prime rate published in the Midwest edition of *The Wall Street Journal*, and accrued interest shall be payable together with each annual installment of the purchase price. All or part of the purchase price may be prepaid at any time without penalty or premium. As a condition to the issuance of the subordinated promissory note described above, the payee thereunder agrees to promptly execute, verify, deliver and file any (i) subordination, intercreditor or similar agreement requested by any holder of other indebtedness of the Company and (ii) any other agreement, document or instrument thereafter requested by any holder of other indebtedness of the Company from time to time in connection with such subordination.

(c) At Closing, the Selling Member shall deliver to the Company such evidence of the Membership Interests purchased, free and clear of liens and encumbrances of every kind and description (except this Agreement), and duly endorsed for Transfer to the Company.

(d) The Closing of any transaction described herein may be delayed, if necessary, to allow for the appointment and qualification of a personal representative of the Selling Member. In such event, the Closing so delayed shall take place no later than the fifteenth (15th) day after such appointment and qualification.

(e) All fees and costs of the Company associated with the Closing as stated in this Agreement shall be the sole responsibility of the Selling Member.

5.07. Co-Sale Rights. In the event any single Member or group of Members ("Transferring Members") propose to transfer in the aggregate fifty percent (50%) or more of the Company's then issued and outstanding Membership Interests to any third party other than a permitted transferee, then each Member may elect to participate in the contemplated transfer by delivering written notice of such election to the Transferring Members. If any other Members elect to participate in such transfer (such other Members being referred to as the "Participating Members"), each of the Transferring Members and the Participating Members shall be entitled to sell in the contemplated transfer, at the same price and on the same terms, a number of Membership Interests (the "Participating Membership Interests") equal to the product of (A) the quotient determined by dividing the number of Membership Interests owned by such Member by the number of Membership Interests owned in the aggregate by the Transferring Member and the Participating Members and (B) the number of Membership Interests proposed to be transferred (the "Transfer Membership Interests"). Each Transferring Member will use reasonable efforts to obtain the agreement of the prospective transferee(s) to the participation of the Participating Members in any contemplated transfer and the Transferring Members will not transfer any of the Transfer Membership Interests to the prospective transferee(s) if such prospective transferee refuses to allow the participation of any Participating Member, unless simultaneously with such transfer, the Transferring

Member purchases such Participating Member's Participating Membership Interests. Each Member transferring Membership Interests pursuant to this Section 5.07 shall pay its pro rata share (based on the number of Transfer Membership Interests) of the expenses incurred by the Members in connection with such transfer and shall be obligated to join on a pro rata basis (based on the number of Transfer Membership Interests) in any indemnification or other obligations that the Transferring Member agrees to provide in connection with such transfer (other than any such obligations that relate specifically to a particular Member such as indemnification with respect to representations and warranties given by a Participating Member regarding such Member's title to and ownership of Participating Membership Interests).

5.08 Preemptive Rights. No Member or holder of Membership Interests shall have any preemptive right with respect to any issuance of Membership Interests or other debt or equity interests of the Company.

5.09 Appraisal Rights. No Member or other holder of Membership Interests shall have any rights of appraisal in connection with any merger, consolidation or similar transaction.

ARTICLE VI VOTING, QUORUM, AND MEETINGS OF MEMBERS

6.01. Voting Rights. Each Member shall be entitled to one vote for each Unit held. In the event a Member is an entity, that Member shall designate in writing to the Company the name of one natural person who is authorized to act as the representative of that Member, with legal authority to vote and otherwise act on behalf of such Member (the “**Designated Representative**”).

6.02. Meetings. Meetings of the Members may be called from time to time by the Managers or by twenty-five per cent (25%) of the Members. A difference arising among Members as to matters upon which the Members are required or permitted to take action shall be decided by a majority of the Members.

6.03. Place of Meetings. The Managers may designate any place as the place of any Member meeting. If the Managers do not designate the place for a Member meeting, the Member meeting shall be held at the Company’s principal office.

6.04. Notice. Written notice indicating the date, time, place, and purpose of all Member meetings shall be delivered to each Member not less than ten (10) days before the date of the meeting.

6.05. Meeting of All Members. Subject to Section 6.13, if every Member is present at any meeting, even without notice, such meeting shall be valid and Members may take any action required or permitted to be taken at a Member meeting.

6.06. Record Date. The record date for purposes of determining the Members entitled to notice of or vote at any Member meeting shall be the date on which the notice is mailed.

6.07. Quorum. A majority of the Members represented in person or by proxy, shall constitute a quorum for purposes of transacting business at a meeting of the Members.

6.08. Amending this Agreement. The unanimous consent of the Members is required in order to amend this Agreement.

6.09. Proxies. A Member may vote in person or by proxy, provided any proxy is executed in writing by the Member. Any such proxy must be filed with the Managers before or at the time of the meeting. No proxy shall be valid after six months of its execution.

6.10. Action by Members Without a Meeting. Any action required or permitted to be taken at a Member meeting may be taken without a meeting and without notice if the action is taken by all Members and if each Member signs a written consent describing the action to be taken and delivered to the Managers for filing with the Company records. The record date for determining which Members may take action without a meeting shall be the date the first Member signs a written consent. Action taken under this Section shall be effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

6.11. Participation By Other Means. Members may participate in any Member meeting by any means of communication method that allows all Members participating therein to simultaneously hear each other. Participating in such a meeting shall constitute attendance at such meeting.

6.12. Member Representative. Any non-individual Member shall designate one individual to act as the exclusive representative of the Member for all purposes related to the Company, including, without limitation, for purposes of participation of the Member in all Member meetings, the voting by the Member and the execution of any written consent evidencing action of the Members taken without a meeting. A Member may change the identity of the Member's representative at any time and from time to time, in the Member's sole discretion, but shall provide written notice thereof to the Managers.

6.13. Waiver.

(a) A Member may waive any notice required by this Agreement before or after the date and time stated in the notice. The waiver must be in writing, be signed by the Member entitled to the notice, and be delivered to the Managers.

(b) A Member's attendance at a meeting: (i) waives objection to lack of notice or defective notice of the meeting, unless the Member at the beginning of the meeting or promptly upon the Member's arrival objects to holding the meeting or transacting business at the meeting, and (ii) waives objection to consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the Member objects to considering the matter when it is presented.

6.14. No Interest in Company Property. No real or personal property of the Company shall be deemed to be owned by any Member individually, but shall be owned by, and title shall be vested solely in, the Company. Without limiting the foregoing, each Member hereby irrevocably waives during the term of the Company any right that such Member may have to maintain any action for partition with respect to the property of the Company.

6.15. Certification of Membership Interests.

(a) The Managers may, but shall not be required to, issue certificates to the Members representing the Membership Interests held by such Member.

(b) In the event that the Managers shall issue certificates representing Membership Interests in accordance with Section 2.07, then in addition to any other legend required by applicable law, all certificates representing issued and outstanding Membership Interests shall bear a legend substantially in the following form:

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO AN OPERATING AGREEMENT AMONG THE COMPANY AND ITS MEMBERS, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY. NO TRANSFER, SALE, ASSIGNMENT, PLEDGE, HYPOTHECATION, OR OTHER DISPOSITION OF THE MEMBERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE MAY BE MADE EXCEPT IN ACCORDANCE WITH THE PROVISIONS OF SUCH OPERATING AGREEMENT.

THE MEMBERSHIP INTERESTS REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS AND MAY NOT BE TRANSFERRED, SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE DISPOSED EXCEPT PURSUANT TO (A) A REGISTRATION STATEMENT EFFECTIVE UNDER SUCH ACT AND LAWS, OR (B) AN EXEMPTION FROM REGISTRATION THEREUNDER.

ARTICLE VII DISSOCIATION

7.01. Dissociation Events. A Member is dissociated from the Company when one or more of the following events occur:

- (a) The Company has actual notice of the Member's express will to dissociate, but, if the Member specified a withdrawal date later than the date the Company received actual notice, on that later date;
- (b) The Member is expelled from the Company pursuant to Section 7.04;
- (c) On application by the Company, the Member is expelled as a Member by judicial order because the Member:
 - (1) Has engaged, or is engaging in, wrongful conduct that has adversely and materially affected, or will adversely and materially affect, the Company's activities;
 - (2) Has willfully or persistently committed, or is willfully and persistently committing, a material breach of this Agreement; or
 - (3) Has engaged in, or is engaging, in conduct relating to Company's activities which makes it not reasonably practicable to carry on the activities with the Member associated with Company;
- (d) In the case of a Member who is an individual, the person dies;
- (e) In the case of a person who is a trust or is acting as a Member by virtue of being a trustee of a trust, the trust's entire Transferable Interest in the Company is distributed;
- (f) In the case of a person who is an estate or is acting as a Member by virtue of being a personal representative of an estate, the estate's entire Transferable Interest in the Company is distributed;
- (g) In the case of a Member who is not an individual, partnership, limited liability company, corporation, trust, or estate, the termination of the Member;
- (h) The Company participates in a merger and the Company is not the surviving entity or as a result of the merger the Member ceases to be a Member;
- (i) The Company participates in a conversion under the Iowa Act;
- (j) The Company participates in a domestication under the Iowa Act, if, as a result of the domestication, the person ceases to be a Member; or
- (k) The Company terminates.

7.02. Wrongful Dissociation. A Member who wrongfully dissociates from the Company is liable to the Company and, subject to Iowa Code § 489.901, to the other Members for damages caused by the dissociation. The liability is in addition to any other debt, obligation, or other liability of the Member to the Company or other Members. The Member's dissociation from the Company is wrongful if the dissociation occurs before the termination of Company and any of the following apply:

- (a) The Member withdraws by express will;
- (b) The Member is expelled by judicial order pursuant to Section 7.01(c); or
- (c) In the case of a Member who is not a trust other than a business trust, an estate, or an individual, the Member is expelled or otherwise dissociated as a Member because it willfully dissolved or terminated.

7.03. Effect of Dissociation. A Member's dissociation from the Company does not of itself discharge the person from any debt, obligation, or other liability to the Company or other Members which the dissociated Member incurred while a Member. When a Member dissociates from Company:

- (a) The person's right to participate as a Member in the management and conduct of Company's activities terminates;
- (b) Subject to Iowa Code § 489.504 and the terms of any merger, conversion or domestication to which the Company is a party, any Transferable Interest owned by the person immediately before dissociation in the person's capacity as Member is owned by the person solely as a Transferee; and
- (c) The Transferee's Transferable Interest is subject to the Right of First Refusal enumerated in Sections 5.04, 5.05 and 5.06 of this Agreement.

7.04. Expulsion. A Member may be expelled by the unanimous consent of the other Members if:

- (a) It is unlawful to carry on the Company's activities with the Member associated with Company;
- (b) There has been a transfer of all of the Member's Transferable Interest in the Company, other than a transfer for security purposes or a charging order in effect under Iowa Code § 489.503 which has not been foreclosed;
- (c) The Member is a corporation and, within 90 days after the Company notifies Member that it will be expelled as a Member because Member has filed a certificate of dissolution or the equivalent, its articles or charter has been revoked, or its right to conduct business has been suspended by the jurisdiction of its incorporation, the certificate of dissolution has not been revoked or its articles or charter or right to conduct business has not been reinstated;
- (d) The Member is a limited liability company or partnership that has been dissolved and whose business is being wound up; or
- (e) A Member fails to make a required Capital Contribution.

ARTICLE VIII RECORDS; FINANCIAL AND FISCAL AFFAIRS; TAX REPORTING

8.01. Records and Accounting.

- (a) The books of account of the Company shall be maintained at the Company's principal office. The Company

the grounds that the Managers in control of the Company have acted, are acting, or will act in a manner that is illegal or fraudulent; or have acted or are acting in a manner that is oppressive and was, is, or will be directly harmful to the applicant. In a proceeding brought under this subsection (d), the court may order a remedy other than dissolution.

9.02. Distribution of Assets in Winding Up Company.

(a) In winding up its activities, the Company must apply its assets to discharge its obligations to creditors, including Members who are creditors.

(b) After the Company complies with subsection (a), any surplus must be distributed in the following order, subject to any charging order in effect under Iowa Code § 489.503:

(1) to each person owning a Transferable Interest that reflects Capital Contributions made by a Member and not previously returned, an amount equal to the value of the unreturned Capital Contributions; and

(2) in equal shares to each person owning a Transferable Interest.

(c) If the Company does not have sufficient surplus to comply with subsection (b)(1), any surplus must be distributed among the owners of Transferable Interests in proportion to the value of their respective unreturned Capital Contributions.

(d) All distributions made under subsections (b) and (c) must be paid in money.

9.03. Business After Dissolution. After dissolution, the Company shall not engage in any business except that necessary to wind up the Company's affairs pursuant to Iowa Code § 489.702 and to protect the value of and distribute the Company's assets.

9.04. Net Profits and Net Losses During Winding Up. Net Profits and Net Losses earned or incurred during the course of the winding up of the Company shall be credited or debited to the Members in the same proportion as before dissolution.

9.05. Management of the Company After Dissolution. The Managers shall continue to manage the Company after dissolution.

9.06. Winding Up. Upon dissolution each Member shall look solely to the assets of the Company for the return of its Capital Account. If the Company property remaining after the payment or discharge of the debts and liabilities of the Company is insufficient to return to the Capital Account of each Member, such Member shall have no recourse against other Members, in their capacity as such. Further, no Member shall be required to restore any deficit in his, her or its Capital Account and such deficit shall not be treated as an asset of the Company. The winding up of the affairs of the Company and the distribution of its assets shall be conducted exclusively by the Managers, who are hereby authorized to take all actions necessary to accomplish such distribution, including without limitation, selling any Company assets the Managers deem necessary or appropriate to sell.

ARTICLE X DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings:

10.01. "Adjusted Capital Account" shall mean, with respect to each Member, the Member's Capital Account as adjusted by the items described in §§ 1.704-2(g)(1), 1.704-2(i)(5) and 1.704-1(b)(2)(ii)(d)(4), (5) and (6) of the Treasury Regulations.

10.02. "Agreement" shall mean this Operating Agreement, as originally executed or as amended, modified, supplemented or restated from time to time.

10.03. "Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required to close.

10.04. "Capital Account" shall have the meaning ascribed to it in Section 4.01 of this Agreement.

10.05. "Capital Contribution" shall mean in the case of any Member as of any date of determination, the aggregate amount of cash and fair market value of any non-cash property (net of any liabilities assumed by the Company or secured by such property) that such Member shall be credited with contributing, directly or by assignment, to the Company on or prior to such date.

10.06. "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time and any successor statute or subsequent codification or recodification of the federal income tax laws of the United States.

10.07. "Company" shall mean EAGLE GROVE HOTEL, L.L.C., as such limited liability company may from time to time be constituted.

10.08. "Iowa Act" shall mean the Iowa Revised Uniform Limited Liability Company Act, Chapter 489 of the Iowa Code, as amended.

10.09. "Fiscal Year" shall mean the twelve (12)-month period ending December 31.

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

(a) 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 Managers;

(b) The Gross Asset Value of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Managers, as of the following times: (i) the contribution of more than *de minimus* additional capital by any new Member or existing Member; (ii) the distribution by the Company to a Member of more than a *de minimis* amount of property as consideration for the Member's Capital Contribution; and (iii) the liquidation of the Company within the meaning of § 1.704-1(b)(2)(ii)(g) of the Treasury Regulations; provided, however, that adjustments pursuant to the preceding clauses (i) and (ii) shall be made only if the Managers determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members;

(c) 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 Managers; and

(d) The Gross Asset Values of Company assets shall be increased or decreased, as the case may be, to reflect any adjustments to the adjusted basis of such assets pursuant to § 734(b) or § 743(b) of the Code, but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to § 1.704-1(b)(2)(iv)(m) of the Treasury Regulations; provided, however, that Gross Asset Values shall not be adjusted pursuant to clause (d) to the extent that the Managers determines that an adjustment pursuant to this clause (d) is not necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (d). If the Gross Asset Value of an asset has been determined or adjusted pursuant to of this Agreement, such Gross Asset Value shall thereafter be adjusted by the depreciation taken into account with respect to such asset for purposes of computing Net Profits and Net Losses.

10.11 "Involuntary Lifetime Transfer" means, with respect to any Member:

- (i) his or her adjudication of voluntary or involuntary bankruptcy; or

-
- (ii) his or her insolvency; or
 - (iii) the appointment of a receiver for all or a material portion of his or her assets, which appointment is not dismissed, vacated or discharged within sixty (60) days; or
 - (iv) judicial attachment of, or execution or levy upon his or her Units which action is not dismissed, vacated or discharged within sixty (60) days; or
 - (v) a public, probate or judicial sale of any of the Membership Interests owned by him or her; or
 - (vi) a voluntary or involuntary assignment by him or her of a material portion of his or her assets for the benefit of his or her creditors; or
 - (vii) a Transfer of Membership Interests to a spouse pursuant to a decree of divorce or marital separation; or
 - (viii) the taking of any action by such Member or the occurrence of any condition affecting such Member which could otherwise cause any license held by the Company or any of its Subsidiaries or Affiliates to be revoked by any Governmental Authority; or
 - (ix) engagement by such Member in what is deemed to be inappropriate behavior of any kind which is harmful, or is intended to harm, the Company or the reputation of the Managers, employees or customers.

10.12. “Managers” shall mean the persons appointed pursuant to Section 3.01.

10.13. “Member” shall mean a person who at any given time is a Member of the Company.

10.14. “Net Profits” shall mean, for each Fiscal Year, the net taxable income of the Company determined in accordance with the income tax basis method of accounting and as reported, separately and in the aggregate, as appropriate, on the Company’s information return filed for United States federal income tax purposes, less any expenditures not deductible in computing the Company’s taxable income and not properly chargeable to capital account under § 705(a)(2)(B) of the Code plus any tax-exempt income of the Company; adjusted in the event that the Gross Asset Value of any asset differs from its adjusted tax basis to compute gain or loss and depreciation or amortization in respect of such property by reference to such Gross Asset Value; and adjusted, in the event that any asset is revalued pursuant to Section 10.09(b) or (d), to include as gain or loss the net increase or decrease in the Gross Asset Value of the asset.

10.15. “Net Losses” shall mean, for each Fiscal Year, the net taxable loss of the Company determined in accordance with the income tax basis method of accounting and as reported, separately and in the aggregate, as appropriate, on the Company’s information return filed for United States federal income tax purposes, plus any expenditures not deductible in computing the Company’s taxable income and not properly chargeable to capital account under § 705(a)(2)(B) of the Code less any tax-exempt income of the Company; adjusted in the event that the Gross Asset Value of any asset differs from its adjusted tax basis to compute gain or loss and depreciation or amortization in respect of such property by reference to such Gross Asset Value; and adjusted, in the event that any asset is revalued pursuant to Section 10.09(b) or (d), to include as gain or loss the net increase or decrease in the Gross Asset Value of the asset.

10.16. “Regulatory Allocations” shall mean the allocations pursuant to Section 4.03(a) through (i) of this Agreement.

10.17. “Transferable Interest” shall mean the right, as originally associated with a person’s capacity as a Member, to receive distributions from the Company in accordance with this Agreement, whether or not the person remains a Member or continues to own any part of the right.

10.18. “Transferee” shall mean a person to which all or part of a Transferable Interest has been transferred, whether or not the transferor is a Member.

10.19. “Treasury Regulations” shall mean the regulations of the United States Department of the Treasury pertaining

to the income tax, as from time to time in force.

**ARTICLE XI
MISCELLANEOUS**

11.01. Notices. Any notice, offer, consent or other communication required or permitted to be given or made hereunder shall be in writing and will be deemed to have been sufficiently delivered: (a) three business days after the date mailed by certified mail, return receipt requested, postage prepaid, or (b) when delivered by a nationally recognized overnight delivery service (receipt requested) or (c) when delivered personally to the party (or an officer of the party) to whom the same is directed, or (d) when the electronic transmission of electronic mail or fax is successfully completed:

If to _____:

11.02. Possible Restrictions. Notwithstanding anything to the contrary contained in this Agreement, in the event of: (a) the enactment (or imminent enactment) of any legislation, (b) the publication of any temporary or final regulation by the United States Department of the Treasury, (c) any ruling by the Internal Revenue Service, or (d) any judicial decision that, in any such case, in the opinion of counsel for the Company, would result in the taxation of the Company as an association taxable as a corporation or would otherwise result in the Company being taxed as an entity for federal income tax purposes, then the Managers may impose such restrictions as may be required, in the opinion of counsel, to prevent the Company for Federal income tax purposes from being taxed as an association taxable as a corporation or otherwise as an entity, including, without limitation, making any amendments to this Agreement as the Managers in its sole discretion may determine to be necessary or appropriate to impose such restrictions.

11.03. Governing Law; Successors. This Agreement shall be governed by and construed in accordance with the laws of the State of Iowa and, subject to the restrictions on transferability set forth in this Agreement, shall bind and inure to the benefit of the heirs, executors, personal representatives, successors and assigns of the Members. The rights and liabilities of the Members under this Agreement shall be as provided by Iowa law.

11.04. Entire Agreement. This Agreement is the sole operating agreement of the Company and constitutes the entire agreement among the parties relating to its subject matter; this Agreement supersedes any prior agreements or understandings between the parties, oral or written relating to its subject matter, all of which are hereby canceled. This Agreement may not be modified or amended except in writing with the unanimous consent of the Members.

11.05. Headings, etc. The Article and Section headings in this Agreement are inserted for convenience of reference only and shall not affect interpretation of this Agreement. Whenever the context shall require, each term stated in either the singular or plural shall include the singular and the plural, and masculine or neuter pronouns shall include the masculine, the feminine and the neuter.

11.06. No Waiver. No failure or delay on the part of any Member in exercising any rights under this Agreement, or in insisting on strict performance of any covenant or condition contained in this Agreement, shall operate as a waiver of any of such Member's rights hereunder.

11.07. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument.

11.08. Assignment. Other than Transferable Interests, no assignment of any rights or delegation of any obligations provided for in this Agreement shall be made by any Member without the prior written consent of the other Members.

11.09. No Reliance. No third party is entitled to rely on any of the representations, warranties, and agreements of the Members contained in this Agreement; and the Members assume no liability to any third party because of any such reliance.

11.10 Delivery by Electronic Transmission. This Agreement and each other agreement or instrument entered into in connection herewith or contemplated hereby, and any amendments hereto, to the extent signed and delivered by means of a facsimile machine or other electronic transmission (including transmission in portable document format by electronic mail), shall be treated in all manner and respects and for all purposes as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such other agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties, except that the failure of any party to comply with such a request shall not render this Agreement and each other agreement or instrument entered into in connection herewith or contemplated hereby invalid or unenforceable. No party hereto or to any such other agreement or instrument shall raise the use of a facsimile machine or other electronic transmission to deliver a signature, or the fact that any signature was transmitted or communicated through the use of a facsimile machine or other electronic transmission, as a defense to the formation or enforceability of a contract and each such party forever waives any such defense.

11.11 Legal Representation. The Company has engaged _____ ("_____") as legal counsel to the Company with respect to the preparation of this Agreement. _____ has not been engaged by any of the Members to protect or otherwise represent the interests of the Members with respect to the preparation of this Agreement or with respect to the interests of such Member vis-a-vis the Company. Each Member: (a) approves _____'s representation of the Company in the preparation of this Agreement; (b) acknowledges that no legal counsel has been engaged by the Company to protect or otherwise represent the interests of the Members, that _____ has not been engaged by any Member to protect or represent the interests of such Member, as the case may be, vis-a-vis the Company or the preparation of this Agreement, and that actual or potential conflicts of interest may exist among the Members in connection with the preparation of this Agreement (with the consequence that a Member's interests may not be vigorously represented unless such Member engages its own legal counsel); and (c) acknowledges further that such Member has been afforded the opportunity to engage and seek the advice of its own legal counsel before entering into this Agreement. Nothing in this Section 11.11 shall preclude the Company from selecting different legal counsel to represent it at any time in the future.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, all of the Members have executed this Agreement effective as of the ____ day of ____ 2019.

The Company:

EAGLE GROVE HOTEL, L.L.C.

By: _____

Name: Michele Cooper

Title: Member

The Members:

EAGLE GROVE HOTEL, L.L.C.

By: _____

Name: Clay Hansen

Title: Member

SCHEDULE A

List of Members
EAGLE GROVE HOTEL, L.L.C.
EIN # _____

<u>Member Name</u>	<u>Number & Class of Units</u>	<u>Amount of Cash Contribution</u>
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SCHEDULE B

MANAGERS SCHEDULE

Manager Name and Address
[MANAGER NAME AND ADDRESS]

Hotel R & D, LLC
Hotel Research & Development

PRELIMINARY HOTEL MARKET AND
FEASIBILITY ANALYSIS

EAGLE GROVE, IOWA

FEBRUARY, 2017

Market/Feasibility Studies; Site Location; Development Ventures
944 Evans Street Oshkosh, Wisconsin 54901
(414)-379-2105 Email: micland12@yahoo.com

Preliminary Conclusions

Based on the fieldwork and initial analysis for this study, it is determined that Eagle Grove, Iowa will support new lodging development. The construction of a \$275 million pork processing plant just south of the community supports these conclusions. However, other existing demand and a significant lack of modern lodging in the entire county provides an equally strong basis for new development.

Still, the success of a new hotel will rely heavily on the city's ability to attract and convince overnight visitors to stay in Eagle Grove despite a lack of support services offered in larger hotel communities within a half-hour drive. While proximity to a planned destination is still a primary factor in choosing overnight accommodations, availability of support services, such as eating and drinking places, personal services and entertainment can also drive the decision-making process.

Another potential perceived short-coming of Eagle Grove is its distance from a state or interstate traffic corridor. Iowa State Highway 3 is four miles north and is a strong secondary route crossing east-west along northern Iowa connecting a number of communities that also provide modern lodging and support services. US Highway 20 is a growing primary east-west corridor approximately 16 miles south of Eagle Grove. This highway, mostly of freeway quality, also offers a variety of lodging and other traveler-related businesses at many of the communities along the route.

The importance of a position along a major or secondary highway route is the ability it creates for a hotel to attract highway transient demand and overflow from other markets. This is often a strong secondary source of occupancy for hotels. However, if the localized demand is sufficient, then the need for highway transient demand becomes less vital. Also, although it is most likely local commuter traffic, the volume along Highway 17 from Highway 3 to Eagle Grove is nearly as high as the traffic counts along the State Highway, either direction.

In addition, like most of the cited factors in these conclusions, highway traffic counts are going to change dramatically starting in 2017 when the Prestage Farms facility begins construction. General population origins may result in the majority of traffic-flow to the plant entering from the south (Highway 20). However, a new property in Eagle Grove is expected to maintain a strong relationship with the processing plant along with other companies and attractions in the area to enhance its presence in the market.

Overall, the economic and other factors evaluated in these conclusions illustrate a marginal environment for new lodging development. However, the impact of the Prestage Farms development is expected to increase hotel demand, as well as other economic factors. While placing the success of a new hotel on one large local company can be risky, the planned processing operation will involve more than activities generated solely within its 675,000 square foot structure. Prestage Farms is a long standing company in Iowa and represents an industry that has been a major economic force in the state since the early 1990's.

Eagle Grove Locator Map



Current Economic Factors

Population

Local population doesn't always have a strong influence on hotel occupancies. However, growth can indicate the need for temporary housing/lodging and a general positive direction of a local economy. As the chart below indicates, Eagle Grove appears to be on an upswing in local population since 2010. The addition of 900 new jobs, as indicated by Prestage Farms, will only enhance the local population within the next few years.

Population Trends				
	2000	2005	2010	2015
Eagle Grove	3,706	3,455	3,570	3,583
% change		-6.8%	3.3%	0.4%
Wright County	14,313	13,777	13,186	13,229
% change		-3.7%	-4.3%	0.3%
Iowa	2,929,000	2,964,000	3,033,000	3,123,899
% change		1.2%	2.3%	3.0%

Source: US Census Bureau

Employment

Despite a significant drop in unemployment rates in Wright County from 2010 (6.8%) to 2015 (3.7%) the chart on the following page reflects key employment sectors excluding agriculture and public administrative. The chart indicates a decrease in the number of jobs in several key sectors. This includes *Manufacturing*, which still generates the most non-agricultural jobs in the county. The number of jobs decreased by over 11% from 2012 to 2016. Again, this change is not only expected to reverse in the next several years but may triple depending on the sector new jobs are classified with Prestage Farms.

Manufacturing companies tend to generate a high volume of hotel demand as do finance, insurance and the arts, entertainment and recreation industries all which experienced modest to strong increases in employment.

2016				2012				
Sector	Establishments	Employment	% of TOTAL	Sector	Establishments	Employment	% chg	% of TOTAL
Utilities	4	28	0.8%	Utilities	5	32	-12.5%	0.9%
Construction	38	217	6.5%	Construction	41	234	-7.3%	6.6%
Manufacturing	25	1,198	35.8%	Manufacturing	22	1,355	-11.6%	38.0%
Wholesale	33	340	10.1%	Wholesale trade	31	315	7.9%	8.8%
Retail	55	526	15.7%	Retail trade	55	549	-4.2%	15.4%
Transportation & Warehousing	16	63	1.9%	Transportation & warehousing	14	51	23.5%	1.4%
Information	16	147	4.4%	Information	17	212	-30.7%	5.9%
Finance & Insurance	33	174	5.2%	Finance and insurance	32	167	4.2%	4.7%
Real Estate Related	11	28	0.8%	Real Estate Related	18	44	-36.4%	1.2%
Professional and Technical	37	122	3.6%	Professional and technical	33	92	32.6%	2.6%
Administrative	20	53	1.6%	Administrative	22	97	-45.4%	2.7%
Arts, Entertainment	9	33	1.0%	Arts, entertainment,	4	19	73.7%	0.5%
Lodging and Food Service	35	280	8.4%	Lodging and Food Service	35	294	-4.8%	8.2%
Other Services except Public Administration	52	142	4.2%	Other services, except public administration	49	108	31.5%	3.0%
TOTAL*	384	3351	100.0%		378	3569	-6.1%	100.0%

Retail and Other Sales

Retail and other sales do not have a strong bearing on the success of a new hotel. However, they can reflect the strength of the local economy, especially in sectors that can be related to outside market visitations. In addition, a strong retail market provides diversions and entertainment to area visitors.

The chart below illustrates the trends in Retail sales for Wright County between 2011 and 2016 based on sales tax data provided by Iowa Department of Revenue. The most stand-out increase was in *Food Dealer* sales which increased by nearly 200%. National producers Centrum Valley Farms, Daybreak Foods, Sparboe, and Iowa Cage Free make Wright County one of the nation's leaders in egg production. Monsanto and Syngenta, international companies in the seed business, have processing and warehouse facilities in Clarion and Belmond, respectively. In addition, Wright County is a state leader in hog production.

Specialty Retail sales also experienced strong growth during the selected time period. This includes agri-related equipment and supplies as well as non-agricultural related items in the clothing, automotive and household supplies.

	2011			2016		
						% chg
Apparel	N/A	N/A	Apparel	N/A	N/A	
Building Materials	45	\$5,833,722	Building Materials	45	\$6,087,404	4.3%
Eating and Drinking	155	\$7,280,658	Eating and Drinking	162	\$8,475,416	16.4%
Food Dealers	28	\$5,519,624	Food Dealers	86	\$15,995,398	189.8%
General Merchandise	48	\$11,133,231	General Merchandise	20	\$7,222,751	-35.1%
Home Furnishings	N/A	N/A	Home Furnishings	N/A	N/A	N/A
Miscellaneous	320	\$20,805,504	Miscellaneous	309	\$12,356,670	-40.6%
Motor Vehicle	74	\$4,947,283	Motor Vehicle	60	\$3,199,922	-35.3%
Service	674	\$10,491,652	Service	599	\$10,023,136	-4.5%
Specialty Retail Stores	287	\$4,622,155	Specialty Retail	275	\$6,810,962	47.4%
Utilities and Transportation	113	\$13,276,579	Utilities and Transportation	112	\$13,687,612	3.1%
Wholesale	86	\$5,711,081	Wholesale	71	\$3,313,886	-42.0%
County Total	1,859	\$91,766,737	County Total	1,739	\$87,173,157	-5.0%

Hotel Revenue

Perhaps the most telling indicator in determining the strength of a hotel market is local hotel revenue trends. Like most of the other economic factors reviewed in this study, hotel revenues in and around Eagle Grove are most likely going to experience a noticeable increase during and after the construction of the Prestage Farms plant starting in 2017. Still, the total impact may be spread throughout a multi-county region due to the lack of lodging and, hopefully, the volume of room demand.

Eagle Grove currently has one motel, the 19-room Sandman Motel. This is an older, roadside style property with a single floor, exterior corridor and economy features. The next closest lodging to Eagle Grove is in the city of Clarion, nearly 10 miles north. Clarion offers two hotels, the Hometown Inn and the Boulders Inn & Suites. The Boulders opened in June, 2015. Webster City, about 15-16 miles south of Eagle Grove has 3 properties. Fort Dodge is the next closest with 14 hotels and motels offering 881 rooms.

Since there is only the one property in Eagle Grove, this study evaluated the performance of the previously stated surrounding markets. This includes an expanded radius to include Humboldt and Algona.

Based on the room tax collections provided by Iowa Department of Revenue, the Sandman Motel enjoyed relatively strong revenue growth from 2010 to 2014. In 2015, the motel reported a 30% decrease in revenue. This was close to the time that the Boulders Inn & Suites opened in nearby Clarion. This is the likely cause of the revenue decreased experienced by the Sandman Motel. However, with the high volume of demand generated in the region by the Avian Flu epidemic in 2015, it is also possible that the Sandman had more tax exempt rooms generated by long-term stay (30+ days) guests. This was the case for the Super 8 in neighboring Humboldt. The Sandman tax collections indicate a 3.9% increase in revenues through the first 3 quarters of 2016.

Aside from the 2015 revenue decreases in Eagle Grove and Humboldt, the remainder of the surrounding hotel markets experienced strong increases. The 103% growth in Clarion was due, in part, to the mid-year opening of the Boulders. Likewise, the decreases experienced by many properties and markets during the first 3 quarters of 2016 are most likely a “return to normalcy” after the influx of demand generated by the avian flu remediation process.

Revenue Growth				
Eagle Grove	2013	2014	2015	2016
Rooms	19	19	19	19
Jan - Mar	31.8%	11.6%	-6.7%	16.8%
Apr - Jun	11.8%	92.4%	-60.8%	26.7%
Jul - Sep	46.4%	-29.6%	0.7%	-17.4%
Y-T-D	31.1%	16.0%	-32.7%	3.9%
Oct - Dec	-28.1%	35.0%	-23.5%	
TOTAL	14.8%	19.2%	-30.9%	
Humboldt	2013	2014	2015	2016
Rooms	34	34	34	34
Jan - Mar	12.7%	24.7%	-27.5%	-8.9%
Apr - Jun	8.2%	6.9%	-5.2%	-7.0%
Jul - Sep	7.4%	1.7%	-7.5%	1.6%
Y-T-D	8.9%	8.9%	-12.0%	-3.9%
Oct - Dec	26.6%	-0.8%	-22.7%	
TOTAL	12.7%	6.5%	-14.4%	
Fort Dodge	2013	2014	2015	2016
Rooms	689	754	754	881
Jan - Mar	22.6%	2.2%	-0.9%	0.0%
Apr - Jun	26.5%	-7.0%	46.5%	-32.2%
Jul - Sep	26.7%	0.8%	18.2%	-21.2%
Y-T-D	25.6%	-1.6%	23.0%	-21.4%
Oct - Dec	31.6%	-17.9%	21.1%	
TOTAL	27.1%	-5.8%	22.6%	
Algona	2013	2014	2015	2016
Rooms	129	170	170	170
Jan - Mar	-3.7%	85.7%	-11.2%	8.9%
Apr - Jun	34.1%	38.1%	41.6%	-13.1%
Jul - Sep	33.5%	30.0%	50.5%	-20.2%
Y-T-D	24.0%	44.2%	31.3%	-12.5%
Oct - Dec	36.0%	28.8%	13.9%	
TOTAL	26.9%	40.3%	27.2%	
Clarion	2013	2014	2015	2016
Rooms	34	34	67	67
Jan - Mar	36.3%	-27.9%	16.5%	149.4%
Apr - Jun	-0.2%	-4.1%	98.2%	45.5%
Jul - Sep	32.0%	-1.2%	168.8%	-13.8%
Y-T-D	21.0%	-9.5%	111.9%	24.3%
Oct - Dec	-38.3%	75.2%	80.6%	
TOTAL	4.5%	4.4%	103.3%	
Webster City	2013	2014	2015	2016
Rooms	134	134	134	134
Jan - Mar	16.4%	-9.0%	0.5%	-12.7%
Apr - Jun	77.6%	-34.1%	20.1%	-69.4%
Jul - Sep	49.3%	-5.6%	-5.5%	-13.5%
Y-T-D	52.2%	-18.7%	4.8%	-36.0%
Oct - Dec	39.3%	-11.5%	2.0%	
TOTAL	49.4%	-17.2%	4.2%	

Regional Performance

Based on the evaluation of hotel room tax collections, a rate analysis and information from franchise sources, it is determined that the entire subject region achieved an occupancy level of

60.1% at an average daily rate \$62.99. This occupancy level also happens to match the State average according to Iowa Tourism Research. Data from the state research agency only incorporates information from the 10 largest hotel-hub counties in the state but still believed to be a good representation.

Average rates for the subject region are estimated at \$62.99, considerably lower than the state average of \$94. The subject region, however, includes a higher percentage of small independent budget motels. By industry standards, the 60.1% occupancy level is considered satisfactory although below the national average of 65.6%. Industry-wide (and state wide), hotel occupancies are in the 7th year of annual increases after a strong drop in 2008.

Locally, the Sandman Motel achieved a low 34% occupancy level in 2015 based on room tax collections and using an estimated average rate of \$40 – the property's lowest quoted published rate. Although this is nearly half the level of the region, this is not an unusual level for smaller independent motels. Also, some guests may be exempt from room taxes based on length of stay and business status.

The chart below offers the monthly occupancy and ADR (Average Daily Rate) and RevPar (Revenue per Available Room) for the 10 counties with the highest number of hotel rooms. The region surrounding Wright County appear to follow similar seasonal patterns and occupancy levels.

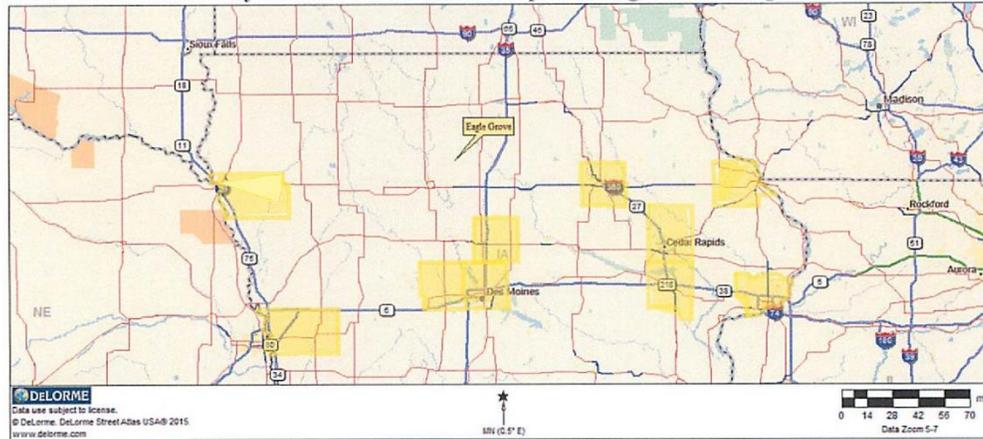
Iowa Hotel Performance Trends									
	Occupancy			ADR			RevPar		
	2016	2015	% change	2016	2015	% change	2016	2015	% change
January	47.4	45.8	3.5%	91.09	84.14	8.3%	43.19	38.56	12.0%
February	54.0	56.1	-3.7%	93.68	90.04	4.0%	50.57	50.47	0.2%
March	52.9	52.9	0.1%	92.53	87.52	5.7%	48.97	46.28	5.8%
April	64.0	60.4	6.0%	95.57	90.31	5.8%	61.16	54.54	12.1%
May	63.6	64.7	-1.7%	95.34	93.98	1.4%	60.65	60.79	-0.2%
June	71.8	73.5	-2.2%	102.05	98.07	4.1%	73.30	72.06	1.7%
July	68.4	72.0	-5.0%	95.60	93.50	2.3%	65.43	67.33	-2.8%
August	71.0	69.6	2.1%	101.04	95.84	5.4%	71.78	66.70	7.6%
September	66.2	65.0	1.7%	96.53	92.55	4.3%	63.86	60.18	6.1%
October	65.0	65.9	-1.3%	95.92	93.65	2.4%	62.39	61.71	1.1%
November	54.2	54.0	0.4%	92.85	89.06	4.2%	50.37	48.12	4.7%
December	42.0	43.9	-4.2%	86.74	85.83	1.1%	36.47	37.68	-3.2%
TOTAL	60.1	60.3	-0.4%	94.9	91.2	4.1%	57.3	55.4	3.6%

Source: Smith Travel Research

Includes:

Polk County, IA	Johnson County, IA
Scott County, IA	Dubuque County, IA
Linn County, IA	Story County, IA
Pottawattamie County, IA	Woodbury County, IA
Black Hawk County, IA	Dallas County, IA

Counties monitored by Iowa Travel Research representing state averages.



Communities included in the competitive region of Eagle Grove



Demand for Lodging

Demand for overnight accommodations is typically categorized as 1) Commercial or business travelers; 2) Leisure or tourist; 3) Transient or “walk-in”, non-reservation visitors and 4) Group and others. Commercial visitors tend to provide consistent year-round demand and occupy hotels Sundays through Fridays. Leisure visitors often create a surge during peak summer months with a secondary level in the fall and winter weekends. Transient travelers are those that are often staying over between destinations or are in the area for last-minute and undefined reasons. Group demand can be generated by social or business functions, bus tours, construction crews, etc. Other demand can include extended stay individuals and other non-classified visitors.

Wright County and the surrounding competitive markets follow similar trends as the state averages although a strong summer surge is less evident while occupancies (and revenues) remain more consistent from April through October. This is a favorable pattern for hotel operations and indicates a higher level of year-round commercial visitations.

Commercial Demand

While the Prestage Farms' development is the likely key to rapid increases of future commercial visitation, Eagle Grove and Wright County already have a number of companies that bring visitors to the area on a sporadic basis. These include:

<i>Wright County Key Commercial Demand Generators</i>	
Company	Employees
<i>Eagle Grove</i>	
Advanced Drainage Systems	62
Zoetis	46
Gold-Eagle Co-op (and Goldfield)	125
<i>Belmond (28 miles)</i>	
Eaton Corp	300
Printing Services	150
Mayo Family Care	140
Iowa Specialty Hospital	110
Farm & Home Publishing	84
<i>Clarion (14 miles)</i>	
Hagie Manufacturing	400
US Consolidated Farm Services	15
Iowa Specialty Hospital	328

Prestage Farms

Prestage Farms is developing a 675,000 square foot pork processing operation 5 miles south of Eagle Grove. While development has already begun, construction will officially begin Spring, 2017 with a 2019 planned opening. At stabilization, the plant is expected to employ 900 people and as many as 1,750 within several years. Construction contractors and sub-contractors and company officials are already generating demand in the market.

Prestage also works with 28 Iowa contract growers and has 145 company-owned hog farms in the state. Indirect businesses are also expected to move to Wright County. These include various suppliers and contract service companies.

Prestage currently has operations in Ames with 50 employees. The headquarters is located in Clinton, North Carolina.



A number of other key commercial demand generators in Wright County are located in communities as far as 28 miles from Eagle Grove. However, a significant lack of modern, overnight accommodations in the county will force area visitors to alternative lodging markets. Eagle Grove can be included in these alternative markets assuming a new hotel is designed and managed to attract regional visitors.

Leisure Demand

Wright County offers a variety of outdoor recreation, museums and other attractions and numerous annual events that attract visitors throughout the Midwest. Pheasant hunting seasons attract hunters from throughout the Midwest. Wright County also offers miles of bike trails, canoeing, kayaking and fishing on the Boone River and all winter sports.

Several annual events in Eagle Grove and Wright County also attract out-of-town visitors. Wright County Fair is held in Eagle Grove and the Prairie Homestead Antique Power and Craft Show held in Belmond brings vendors and guests from throughout the U.S.

High School and school-club tournaments and other events also has a strong potential to generate leisure and group/leisure demand for a new hotel in Eagle Grove. Currently, hotels and motels in the previously defined competitive market area claim 10-20% of their leisure business is created by youth athletics and related visitors.

Recap

The preliminary evaluation of the Eagle Grove market determines that the majority of demand for lodging will be generated by commercial/business travelers. However, like most Iowa communities, a summer time and early fall surge in tourist activities results in a surge in occupancies and average rates. Local companies should provide a small but consistent source of weekday occupancy while school and other group activities can fill a new hotel during spring and fall months.

As stated throughout this analysis, the entrance of Prestage Farms into the Eagle Grove/Wright County market area will most likely change the state of the regional lodging industry beyond expectations. The indirect demand generated after the facility opens can also have almost as much impact on lodging as the operations itself.

New Lodging Development Process

The following section provides a SAMPLE financial analysis of a new hotel in Eagle Grove. The actual number of rooms will be further evaluated and recommended in the final and complete market study.

Typical hotel developments in secondary and tertiary markets such as Eagle Grove typically follow similar structures, no matter which franchise may be selected.

- 1) Identify potential site(s)
- 2) Seek potential local investors
- 3) Target 30% equity into the project – cash/land
- 4) Structure ownership entity
- 5) Select franchise, contractor, architect and management company