

TIDEWATER TV, LLC

OPERATING AGREEMENT

THE INTERESTS IN TIDEWATER TV, LLC HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR ANY STATE SECURITIES LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND THE APPLICABLE STATE LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY WILL BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE TRANSFER OF ANY INTEREST IS FURTHER RESTRICTED AS PROVIDED IN THIS OPERATING AGREEMENT.

TIDEWATER TV, LLC
OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made and entered into this the ____ day of _____, 2013 (**“Effective Date”**), by and among TIDEWATER TV, LLC, a Virginia limited liability company (the **“Company”**), JK Investments, LLC, a Virginia limited liability company(**“JK”**), James L. Lockwood, Jr., a resident of the Commonwealth of Virginia (**“Lockwood”**), and SKY TELEVISION, LLC a North Carolina limited liability company (**“SKY”**). The Company, JK, Lockwood, and SKY are sometimes individually referred to herein as a **“Party”** and collectively as the **“Parties”**.

W I T N E S S E T H:

WHEREAS, the Parties desire to enter into an Operating Agreement for the Company

NOW, THEREFORE, the Parties agree as follows:

ARTICLE I
FORMATION

Section 1.1 -- Formation of the Company. The Company was formed on December 30, 2009, upon the filing of Articles of Organization with the Virginia State Corporations Commission pursuant to the Virginia Limited Liability Company Act (as amended from time to time, the **“Act”**). The rights and obligations of the parties and the organization, operation, dissolution, and winding up of the Company, shall be governed by the Act, the Company’s Articles of Organization as amended from time to time (the **“Articles”**) and this Operating Agreement as amended from time to time (the **“Agreement”**).

Section 1.2 -- Names. The name of the Company may change from time to time by amendment of the Articles in accordance with the Act. The Company may transact business under one or more assumed names as determined from time to time by the Board, subject to compliance with any applicable laws relating to use of assumed names.

Section 1.3 -- Registered Agent and Office. The Company’s registered agent shall be the Person designated in the Articles or such other Person as may be designated by the Board in accordance with the Act.

ARTICLE II DEFINITIONS

Section 2.1 -- Definitions. Whenever used in this Agreement, the following capitalized terms shall have the meaning assigned to them in this Section 2.1 except to the extent expressly otherwise provided in this Agreement:

Act. “Act” shall have the meaning provided in Section 1.1.

Affiliate. “Affiliate” shall mean (a) any Person directly or his legal representative, immediate family Member, successor, or assignee; (b) a trustee of a trust for the benefit of any Person in preceding clause (a); (c) a Person who directly, or indirectly through intermediaries, controls, is controlled by, or is under control with any Person in clauses (a) or (b), where “control” means 50 percent or more ownership of voting power or beneficial interest; or (d) an officer, director, trustee, employee, stockholder of 15 percent or more of the voting stock, or partner of any Person in clauses (a) through (c).

Agreement. “Agreement” shall mean this Operating Agreement as amended from time to time.

Allocation Addendum. “Allocation Addendum” shall mean the Allocation Addendum attached hereto and hereby incorporated into this Agreement for all purposes, which for convenience sets forth separately certain provisions relating to allocations among the Members.

Articles. “Articles” shall have the meaning provided in Section 1.1.

Board. “Board” shall have the meaning provided in Section 6.1.

Business. “Business” shall mean the business of acquiring and holding the FCC license for the Station in the Norfolk, Virginia DMA, and operating the Station for profit.

Capital Account. “Capital Account” shall have the meaning provided in the Allocation Addendum.

Capital Contribution. “Capital Contribution” shall mean, with respect to any Member the amount of money and the initial Gross Asset Value of any property (other than money) contributed to the Company with respect to the Interest held by such Member pursuant to the terms of this Agreement. The principal amount of a promissory note which is not readily traded on an established securities market and which is contributed to the Company by the maker of the note (or a Person related to the maker of the note within the meaning of Regulations Section 1.704-1(b)(2)(ii)(c)) shall not be included in the Capital Contribution of any Member until the Company makes a taxable disposition of the note or until (and to the extent) principal payments are made on the note, all in accordance with Regulations Section 1.704-1(b)(2)(iv)(d)(2).

Cash Available for Distribution. “Cash Available for Distribution” shall mean total cash income from operations during any given accounting period plus the cash proceeds, if any,

from the sale or other disposition, non-recourse refinancing, or liquidation of Company property, reduced by the sum of, among other things: (a) all current expenses of the Company, as well as any allowances or reserves for contingencies or for repair to and maintenance of properties and fees payable to the Managers; (b) adequate provision for payment of all outstanding current obligations of the Company, including repayment of loans made by any Member; and (c) adequate provision for reserves.

Code. “Code” shall mean the Internal Revenue Code of 1986 as amended (or corresponding provisions of any successor laws).

Company. “Company” shall have the meaning provided in the recitals of this Agreement.

Company Assets. “Company Assets” shall mean all assets, interests, properties and rights of any type owned by the Company.

Competitive. “Competitive” shall mean within the range of prices and other terms customarily charged by or given to un-Affiliated Persons for the money loaned, property leased, or goods or services provided in question, by Persons that are engaged in the business of loaning such money, leasing similar property, or providing similar goods or services in the relevant market area.

Effective Date. “Effective Date” shall have the meaning provided in the recitals of this Agreement.

Executive. “Executive” means a Person who is appointed by the Board as an executive or officer pursuant to the Management Addendum.

FCC. “FCC” means the Federal Communications Commission.

Fiscal Quarter. “Fiscal Quarter” shall mean the three-month period ended March 31, June 30, September 30 and December 31 of each Fiscal Year.

Fiscal Year. “Fiscal Year” shall mean the Company’s taxable year for federal income tax purposes or, if the context requires, any portion of such year for which the Company is required to allocate Profits, Losses, and other items of Company income, gain, loss or deduction pursuant to Article VIII. “Fiscal Year” shall mean the twelve-month period ended December 31 of each Year.

Gross Asset Value. “Gross Asset Value” shall have the meaning provided in the Allocation Addendum.

Interest. “Interest” shall mean all of a Person’s rights and obligations with respect to the Company, including without limitation, any right to share in Company allocations, and any right to receive distributions of the Company’s Assets.

Liquidity Event. The non-recourse financing or refinancing of Company assets.

Loss. “Loss” shall have the meaning provided in the Allocation Addendum.

Majority in Interest. “Majority in Interest” shall mean Members owning more than fifty percent (50%) of the Percentage Interests owned by all Members.

Management Addendum. “Management Addendum” shall mean the Management Addendum attached hereto and hereby incorporated into this Agreement for all purposes, which for convenience sets forth separately certain provisions relating to the management of the Company.

Management Person. “Management Person” means a Manager or Executive.

Manager. “Manager” shall have the meaning provided in the Act.

Member. “Member” shall have the meaning provided in the Act.

Percentage Interest. “Percentage Interest” shall mean the following percentages for each Member, as amended from time to time to reflect additional Interests issued pursuant to Section 7.2, if any:

JK	41%
Lockwood	10%
SKY	49%

Permitted Transferee. “Permitted Transferee” shall mean (A) the Company, or (B) with respect to any Member which is an individual, (i) such Member’s spouse, or any of such Member’s lineal descendants, siblings or parents (collectively, “**Relatives**”); (ii) any executor, administrator or testamentary trustee of such Member’s estate if such Member dies; (iii) any transferee receiving Interests of such Member by will, intestacy laws or the laws of descent or survivorship; (iv) any trustee of a trust (including an inter vivos trust) or any other estate planning entity of which there are no principal beneficiaries (in the case of a trust) or owners, partners, stockholders or members (in the case of an entity other than a trust) other than such Member or one or more Relatives of such Member or one or more lineal descendants of siblings of such Member; provided, however, that such transferee shall agree to be bound by the terms of this Agreement.

Person. “Person” shall mean and include any individual, trust, partnership, association, limited liability company, corporation or other entity.

Priority Loan. “Priority Loan” shall have the meaning provided in Section 7.2.

Profit. “Profit” shall have the meaning provided in the Allocation Addendum.

Regulations. “Regulations” shall mean the Income Tax Regulations (including Temporary Regulations) promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

Securities Act. “Securities Act” shall have the meaning provided on the cover page of this Agreement.

Station. “Station” shall mean television station WSKY-TV, Manteo, NC (Facility ID 76324).

Super Majority in Interest. “Super Majority in Interest” shall mean Members owning sixty-six and two thirds (66.667%) of the Percentage Interests owned by all Members.

Tax or Taxes. “Tax” or Taxes” shall mean federal, state, local or foreign, gross receipts, payroll, employment, excise, severance, stamp, occupation, premium, profits, capital stock, franchise, employees’ income withholding, social security, unemployment, disability, real property, personal property, sales, use, transfer, value added, alternative or add on minimum or other similar tax, governmental fee, governmental assessment or governmental charge of any kind whatsoever, including any interests, or additions to tax or additional amounts with respect to the foregoing, whether disputed or not, whether or not shown as due and payable on a tax return, and whether computed on a separate or consolidated, unitary or combined basis or in any other manner.

Tax Distributions. “Tax Distributions” shall mean distributions of a sufficient amount of cash to the Members such that each Member receives by April 15th of each year cash distributions over the preceding twelve months equal to (x) that portion of the Company’s income attributable to such Member’s Interest during such taxable period multiplied by (y) the maximum blended federal and state income tax rates in effect for such taxable period (as adjusted to take into consideration any deduction for payment of state taxes but excluding any Section 743(b) adjustments), less (z) the amount of the distributions paid by the Company during such taxable period.

Transfer. “Transfer” and any capitalized variation thereof shall mean or refer to any assignment, sale, grant, conveyance, or other transfer or vesting, whether gratuitously or for consideration, consensually or by operation of law, as a transfer of beneficial and/or legal ownership or as a grant of a lien or other security interest.

Section 2.2 -- Additional Definitions. Additional definitions appear elsewhere in this Agreement.

ARTICLE III PURPOSE AND POWERS

Section 3.1 -- Purpose. The Company’s purpose shall be to acquire and hold the FCC license and other assets used or useful in the operation of the Station in the Norfolk, Virginia DMA, and to operate the Station for profit. Subject to the foregoing and to Section 6.3, the Company may engage in any lawful businesses and activities.

Section 3.2 -- Powers. The Company shall have all powers permissible under the Act.

ARTICLE IV PRINCIPAL OFFICE

Section 4.1 -- Principal Office. The principal office of the Company shall be located at 220 Salters Creek Road, Hampton, VA 23661, unless another location is determined and approved by the Board. The Board shall promptly notify the Members of any change in the principal place of business. The Company shall maintain such other offices at any other place or places, within and without the state as the Board may from time to time deem advisable.

ARTICLE V TAX STATUS AND ACCOUNTING

Section 5.1 -- Income Tax Status. The Members intend that the Company shall be classified as a partnership subject to Subchapter K of Chapter 1 of the Code for Federal and state income tax purposes. Such classification as a partnership shall be solely for Federal and state income tax purposes, and shall not affect the limited liability of the Board and Members or otherwise affect the status of the Company, its Board and Members under the Act.

Section 5.2 -- Accounting. The Company shall cause to be filed the United States Partnership Return of Income and all other tax returns required to be filed for the Company for all applicable tax years. The Company shall use its best effort to provide to the Persons who owned Interests during a Fiscal Year their respective informational return (“**K-1 Form**”) within ninety (90) days following the end of the Fiscal Year. In the event circumstances require extension of the Company’s income tax returns with respect to any Fiscal Year, the Company shall provide K-1 Forms to such Persons within fifteen (15) days following the filing of the Company’s Federal and state income tax returns.

Section 5.3 -- Capital Accounts. A separate Capital Account shall be maintained for each Person owning an Interest, in accordance with the definition of Capital Account.

Section 5.4 -- Tax Matters Partner. The “tax matters partner” for the Company within the meaning of Code Section 6231(a)(7) (“**Tax Matters Partner**”), shall be Lockwood or such other Member as may be designated from time to time by the Board with the consent of such designated Member and in accordance with the Code and the Regulations.

ARTICLE VI MANAGEMENT

Section 6.1 -- Board of Managers.

(a) In addition to and not in limitation of any rights and powers conferred by law or other provisions of this Agreement and except only as limited, restricted or prohibited by the express provisions of this Agreement, the Board of Managers (“**Board**”) shall have full,

exclusive and complete management and control of the affairs of the Company and will make all decisions affecting Company affairs. In accordance with the Act and the Articles, Members shall not be Managers solely by virtue of their status as Members and no Member shall be an agent of the Company or have authority to act for the Company solely by virtue of being a Member.

(b) The Company's management and affairs shall be managed by the Board in accordance with the Management Addendum.

(c) **Fiduciary Capacity.** The Managers shall at all times exercise their responsibilities in a fiduciary capacity and in a manner consistent with the objectives of the Company. They shall have a fiduciary responsibility for the safekeeping and use of all funds and assets of the Company, regardless of whether in their immediate possession or control, and shall not employ such funds or assets in any manner except for the exclusive benefit of the Company.

Section 6.2 -- Certain Specific Authority and Duties.

(a) The Board shall prepare or cause to be prepared and shall file all Federal, state, international or local tax returns required to be filed by the Company. The Board may direct the Company to withhold taxes from amounts otherwise distributable to Members and remit such taxes to the applicable governmental authorities, as applicable laws may permit or require.

(b) Until required in the conduct of the business of the Company, all Company funds, including, but not limited to, Capital Contributions, Company income, and proceeds of any borrowing by the Company, may be deposited or invested in any type of account or investment that the Board determines, provided, however, that Company funds shall not be commingled with funds of any Member or any Member's Affiliates. Any interest or other income generated by such deposits or investment shall be for the Company's account. All Company funds may be commingled with other Company funds, and may be withdrawn, expended and distributed as authorized by this Agreement.

(c) The Board shall keep or cause to be kept adequate books and records reflecting the activities of the Company. All information with respect to the Company will be kept in strict confidence unless released by the Board.

(d) The Board may procure and maintain, on behalf of and at the expense of the Company, such types and amounts of insurance coverage as the Board may determine to be desirable for the protection of the Company, the Board, Members, employees, and/or other agents.

Section 6.3 -- Restrictions on Board Authority. Without the consent of a Majority in Interest, the Company shall not:

- a. relocate the principal office of the Company;
- b. register the membership interests under the Securities Act;

- c. redeem any Interests (other than in accordance with Section 9.3);
- d. endorse any note, act as an accommodation party, become a guarantor or otherwise become a surety for any Person;
- e. except as set forth in the annual budget, and other than in the ordinary course of business, borrow or lend money, make, deliver or accept any commercial paper, or renew or otherwise modify any loan, loan commitment, letter of credit or another extension of credit in an amount in excess of \$100,000.
- f. execute or deliver any general assignment for the benefit of creditors of the Company.
- g. institute any suit or similar action or proceeding, or enter into any settlement or similar agreement with respect to any action, suit, proceeding, order or investigation to which the Company is or becomes a party or confess a judgment against the Company that might result in a material impact to the Company (this provision shall not prevent the Company from pursuing suits or filing liens to collect money or enforce contracts in the ordinary course of business, or from enforcing employment agreements);

Without the consent of a Super Majority in Interest, the Company shall not:

- a. sell, transfer or otherwise dispose of all or substantially all of the assets of the Company prior to dissolution or liquidation in accordance with this Agreement;
- b. change the nature of the Business of the Company from that stated in this Agreement;
- c. take any action which would make it impossible to carry on the Business of the Company;
- d. sell, merge or consolidate the Company to, with or into any other Persons, change or reorganize the Company into any other legal form or participate in a joint venture;
- e. acquire, transfer, or dispose of assets of the Company not in the ordinary course of business;
- f. issue, sell or otherwise permit to become outstanding, or authorize the creation of, any additional Interests or other equity interest in the Company other than as provided in Section 7.2;
- g. make a capital call otherwise than as provided in Section 7.2;

- h. distribute cash or other property to the Members or any other Person, otherwise than as provided in Section 8.2;
- i. permit the entry of an order of relief against the Company under the Federal Bankruptcy Code or any equivalent state statute;
- j. make, change or rescind any Tax election the results of which would be detrimental to any Member;
- k. engage in any transaction with a Member, Manager, or Member or Manager Affiliate on terms that are materially less favorable to the Company than Competitive terms;
- l. commingle any Company funds with the funds of any other Person;
- m. dissolve the Company, except as provided in this Agreement;
- n. do any act in contravention of this Agreement; and
- o. amend the Articles or this Agreement, other than minor modifications to correct clerical errors or for clarification purposes which do not materially affect the business terms.

Section 6.4 -- Limited Liability and Indemnification.

(a) To the full extent provided in the Act, a Management Person or Member shall not be liable for the obligations of the Company.

(b) The personal liability of any Person who at any time is a Management Person or Member for monetary damages for breach of contract or breach of duties (including but not limited to any fiduciary duties) provided for in the Act, to the Company, another Member, another Person owning an Interest, or any other Person that is a party to or otherwise bound by this Agreement, is hereby eliminated, other than (i) for acts or omissions that the Person knew at the time thereof were clearly in conflict with the Company's interests or this Operating Agreement, or (ii) for transactions from which the Person derived an improper personal benefit.

(c) The Company shall indemnify each Person who at any time is a Management Person or Member for judgments, settlements, penalties, fines, or expenses incurred in a proceeding to which such Person is a party arising out of such Person's status, actions or omissions as a Management Person or Member, to the full extent permitted by the Act as in effect on the date of this Agreement, other than (i) for acts or omissions that the Person knew at the time thereof were clearly in conflict with the Company's interests or this Operating Agreement, or (ii) for transactions from which the Person derived an improper personal benefit. In addition, the Company may advance expenses incurred by a Member or Management Person upon the approval of the Board and the receipt by the Company of an undertaking by such

Member or Management Person to reimburse the Company unless it shall ultimately be determined that such Member or Management Person is entitled to be indemnified by the Company against such expenses. The Company may also, but is not required to, indemnify its employees and other representatives or agents up to the fullest extent permitted under the Act or other applicable law, provided that the indemnification in each such situation is first approved by the Board.

(d) No amendment or repeal of this Section 6.4, nor the adoption hereafter of any provision in the Articles, in this Agreement, or in any other operating agreement for the Company, that is inconsistent with this Section 6.4, shall eliminate or reduce the protection granted in this Section 6.4 with respect to any matter that occurred prior to such amendment, repeal, or adoption.

Section 6.5 -- Delegation. Subject to Section 6.3, the Board may delegate authority to act on behalf of the Company to one or more Persons from time to time, including, without limitation, Executives pursuant to the Management Addendum.

ARTICLE VII MEMBERS

Section 7.1 -- Admission and Initial Capital Contributions.

(a) Lockwood and SKY constitute the Company's only Members. Prior to or contemporaneous with the execution of this Agreement, the Members have made the following initial capital contributions to the Company:

JK	-	\$410.00 cash
Lockwood	-	\$100.00 cash
SKY	-	\$490.00 cash

(b) No Person shall acquire any Interest directly from the Company except as set forth in Section 6.3 or Section 7.2. A Transferee of all or a portion of an Interest shall be admitted as a Member only as provided in Article IX.

Section 7.2 -- Additional Contributions. No Member shall be required to make additional contributions to the capital of the Company except as specifically set forth in this Agreement.

If the Board, with the consent of a Majority in Interest, determines that the Company requires additional capital, notwithstanding Section 6.3, the Board, in its reasonable discretion, shall be permitted to raise additional capital by:

(a) borrowing money and issuing evidence of indebtedness in furtherance of the Company business and secure any such indebtedness by mortgage, pledge,

hypothecation, or other security, provided no Member shall have any personal liability therefor without the prior written approval of the guaranteeing Member;

- (b) borrowing money from a Member or Manager, which Priority Loan shall be evidenced by a promissory note from the Company and payable to the lending Member that (i) shall bear interest, compounded annually, at an annual rate of PRIME plus two percent (2%), (ii) shall be payable by the Company upon demand of the lending Member, and (iii) except as the Board may otherwise determine, shall be unsecured;
- (c) requesting additional voluntary capital contributions from Members on a pro rata basis;
- (d) approving the issuance of additional Interests on terms reasonably established by the Board in exchange for such necessary capital; provided, however, that each Member shall be entitled to participate in the issuance of such additional Interests pro rata (based on the Percentage Interests owned by each such Member) at the same price and on the same terms and conditions of such issuance. If any such additional Interests are issued pursuant to this Section 7.2, the Percentage Interests of each Member shall be adjusted accordingly and each Member shall be treated the same as each other Member.
- (e) offering additional Interests to existing Members in an amount in excess of their pro rata share, should the necessary capital not be raised. If any such additional Interests are issued pursuant to this Section 7.2, the Percentage Interests of each Member shall be adjusted accordingly and each Member shall be treated the same as each other Member.
- (f) offering additional Interests to new Members. If any such additional Interests are issued pursuant to this Section 7.2, the Percentage Interests of each Member shall be adjusted accordingly and each Member shall be treated the same as each other Member.

For purposes of Section 7.2, the rights granted to Members may be exercised by the individual members of SKY or JK on a pro rata basis.

Section 7.3 -- Preemptive Rights. Each Member owning Interests shall have preemptive rights with regard to any future issuance of an Interest permitting each such Member to purchase the same type of Interest pro rata (based on the Percentage Interests owned by each such Member) at the same price and on the same terms and conditions of such issuance. The rights granted to Members in Section 7.3 may be exercised by the individual members of SKY or JK on a pro rata basis.

Section 7.4 -- Resignation and Dissociation. A Member may not voluntarily resign as a Member at any time. A Member's dissociation shall occur upon, and only upon, the Transfer of all of the Member's Interest in accordance with Article IX.

Section 7.5 -- Voting. Members shall not have any voting, approval, or other consent rights with respect to the business or other affairs of the Company in their capacities as Members except as is expressly provided in this Agreement or the Act.

Section 7.6 -- Member Actions.

(a) Action shall be deemed taken by the Members upon the providing of consent or approval by the portion of the Members required by the applicable provision of this Agreement. As provided in Section 11.1(a), any consent or approval by a Member must be in writing signed by the Member. Any such consent or approval may be given without a meeting and without prior notice or may be given at or following a meeting pursuant to Section 7.6(b).

(b) The annual meeting of the Members shall be held at 5:00 p.m. on April 30 of each year (or, if April 30 is a legal holiday in a given year, then on the next succeeding business day, at the same hour), at the principal office of the Company, or at such other date, time, and/or location as determined by the Board. Special meetings of the Members may be called at any time by the Board or by a Majority in Interest. A Member may participate in a meeting without having a representative physically present, by any means which allows all the Members participating in the meeting to hear each other simultaneously.

(c) When any notice is required to be given to any Member, a waiver thereof in writing signed by the Member entitled to such notice, whether before, at, or after the time stated therein, shall be equivalent to the giving of such notice. Participation at a meeting shall constitute waiver of notice of the meeting except to the extent the Member objects to transacting particular business at the meeting.

(d) Except as specifically provided in this Agreement, neither the unanimous consent of the Members nor the vote of a Super Majority in Interest shall be required with respect to any matter concerning the Company, and the vote of a Majority in Interest shall constitute approval of such matters by the Members.

Section 7.7 -- Consent. Each of the Members hereby consents to the exercise by the Board of all the rights and powers conferred on the Board by this Agreement, subject to the voting, approval and other consent rights set forth herein.

Section 7.8 -- Confidentiality. Each of the Members agrees to treat confidentially all information regarding the Company to the fullest extent possible, except to the extent a Member may be required by law to disclose such information or such information is otherwise publicly available or considered by the Board not to be confidential. This Section 7.7 shall not prohibit disclosure of information by Members to their owners, advisors, employees, agents, lenders, investors, accountants, consultants and lawyers, and shall not prohibit disclosure of the tax treatment or tax structure of the Company or an investment in the Company. Further, each of the Members agrees to treat confidentially all information regarding and supplied by any other Member to the fullest extent possible, except to the extent (i) a Member is required by law to disclose such information, in which case such Member shall notify the Member or Members to whom such information belongs of the requirement and the terms thereof and such Member or

Members may direct, at their sole discretion and cost, any challenge to or defense against the disclosure requirement, or (ii) such information is otherwise publicly available.

Section 7.8 – Pledge of Interest. Each of the Members acknowledges that, due to the nature of FCC regulations regarding licenses to operate television and radio stations, the Members may be required to pledge their respective Interests as collateral against current and future bank financing, and each of the Members hereby agrees to so pledge their respective Interests as collateral against current and future bank financing, if requested by the Board; provided, however, that the Members’ pledge of their Interests for such purposes shall not result in any Member becoming personally liable to any of the Company’s lenders.

ARTICLE VIII ALLOCATIONS AND DISTRIBUTIONS

Section 8.1 -- Allocations.

(a) Generally. Subject to the Allocation Addendum and after making any allocations pursuant to the Allocation Addendum, and subject to Section 8.1(b), the Profit or Loss for each Fiscal Year shall be allocated among the Members in proportion to their Percentage Interests.

(b) Dissolution. Notwithstanding Section 8.1(a), to the extent distributions made pursuant to Sections 8.2 upon dissolution and liquidation of the Company would not otherwise be in accordance with the Members’ positive Capital Account balances, items of Profits and Loss for the Fiscal Year in which dissolution occurs and any subsequent Fiscal Years shall be specially allocated among the Members as determined by the Board as necessary to result in such accordance as near as possible, provided that all distributions shall in all events be made as provided in Section 8.2 even if such accordance cannot be achieved.

Section 8.2 -- Distributions.

(a) Distributions. All distributions shall be made among the Members in proportion to their Percentage Interests. Subject to the limitations in the Act, Sections 8.2 and 6.3 of this Agreement, and to any other legally binding limitations, the Company may distribute cash or other property from time to time as determined by the Board; provided, however, that subject to the Act and any other legally binding limitations, the Board shall cause the Company to make Tax Distributions to the Members throughout the Fiscal Year in proportion to their Percentage Interests. In no event will the ratio of any Member’s annual distribution to the aggregate annual distributions of all Members be greater than the ratio of that Member’s Percentage Interest to the total of all Members’ Interests. Upon dissolution, cash shall be applied in the following order:

- (i) To the payment and discharge of all Priority Loans plus interest accrued thereon, followed by the payment and discharge of all Company debts and liabilities;

- (ii) If payments to Managers are not made pursuant to the immediately preceding section, to the payment and discharge of Company debts and liabilities to Managers;
- (iii) If payments to Members are not made pursuant to the immediately preceding section, to the payment and discharge of Company debts to Members;
- (iv) To those Members with positive balances in their Capital Accounts, in the reverse order to the timing of cash contributions, based on the closing date of any Company offering, in the ratio of such positive balances, until no Member shall have a positive Capital Account;
- (v) Thereafter, to the Members in accordance with their Percentage Interests.

(b) Tax Payments on Behalf of Persons Owning Interests. Any payment of Federal, state or local income tax paid by the Company with respect to a Person owning an Interest, as required or permitted by law, shall be treated for purposes of this Agreement as a distribution of cash made by the Company to such Person and credited against any distribution otherwise required by this Agreement to be made to such Person. To the extent the Company has not theretofore withheld the amount required to be paid by the Company on behalf of a Person owning an Interest as Federal, state, or local income taxes from distributions theretofore made, such Person shall pay to the Company the amounts so required within ten (10) days after notice by the Company. In the event a Person fails to make the required payment when due hereunder, and the Company nevertheless pays the withholding, in addition to the Company's remedies for breach of this Agreement, the amount paid shall be deemed a recourse loan from the Company to such Person bearing interest at an annual rate equal to and varying with the lesser of the prime rate as published from time to time in The Wall Street Journal plus three percent (3%) or the highest rate allowed by controlling law to be charged such Person, and the Company shall apply all distributions or payments that would otherwise be made by the Company to such Person toward payment of such loan and interest, which distributions or payments shall be applied first to interest and then to principal until the loan is paid in full.

(c) Tax Distributions. The determination of the income taxes imposed on a Member with respect to Company income allocated to the Member shall be made on a cumulative basis so as to take into account Losses allocated to the Member with respect to preceding Fiscal Years. It is the parties' intention that such Tax Distributions will be made on a quarterly basis to enable the Members to make estimated tax payments as each tax year progresses and then a final payment in the next tax year after when the actual financial results of the Company are known. If the Company, at the time of the distribution, does not have sufficient funds available to permit it lawfully to declare and make such distributions, the Members and the Company shall take such action, adopt such resolutions, and cause such certificates and other documents to be filed as may be necessary to create sufficient funds to permit the payment of such distributions, whereupon

the Company shall declare and make such distributions. Notwithstanding the foregoing, however, the Company's obligation to declare and make such Tax Distributions to the Members to pay tax liabilities is subject to the restrictions governing distributions under the Act and such other applicable governmental restrictions as are now, or may hereafter become, effective.

Section 8.3 -- Distribution Limitation. Anything in this Agreement to the contrary notwithstanding, no distribution shall be made if it is prohibited by the Act or any lender to the Company.

ARTICLE IX TRANSFERS OF INTERESTS

Section 9.1 -- Restriction on Transfer. No Person may Transfer any or all of such Person's Interest, other than (i) a Transfer pursuant to this Article IX, or (ii) a Transfer made with the prior consent of a Majority in Interest, given or withheld by such Members in accordance with Section 11.1(c). A Transfer permitted by this Section 9.1 shall not be effective unless and until (x) the Transferor and Transferee execute and deliver to the Company an Instrument of Accession in the form of Exhibit A, and (y) consent of the FCC is obtained, if required by the Communications Act of 1934, as amended, FCC rules promulgated thereunder.

Section 9.2 -- Permitted Transfers. Any Member may at any time Transfer any or all of his or its Interests to a Permitted Transferee without the consent of any Person, so long as such Permitted Transferee shall have agreed in writing to be bound by the terms of this Agreement. Such Member must give prior written notice to the Company of any proposed Transfer to a Permitted Transferee, including the identity of such proposed Permitted Transferee and such other documentation reasonably requested by the Company to ensure compliance with the terms of this Agreement.

Section 9.3 -- Right of First Refusal.

(a) A Member (the **"Selling Member"**) desiring to Transfer all, and only all, of the Selling Member's Interest (the **"Offered Interest"**) pursuant to an arm's length bona fide written offer (**"Third Party Offer"**) to purchase such Interest free and clear of all liens, claims and encumbrances (other than this Agreement) in exchange only for cash paid at closing, payment of Priority Loans made by the Selling Member, and/or release of the Selling Member from, or indemnification with respect to, personal liability for Company obligations guaranteed by the Selling Member, that is received from a single Person (the **"Third Party Buyer"**) shall first submit a copy of the Third Party Offer to the Company and the other Members. The Third Party Offer shall specify the price for the Offered Interest (the **"Offer Price"**), shall specify the allocation of the purchase consideration (including the Selling Member's share of Company liabilities under Code Section 752 in a manner permitted by law) and to the extent applicable, shall specify the terms of payment of the Selling Member's Priority Loans and the terms of release from, or indemnification with respect to, guaranteed Company obligations. The Third Party Offer shall contain no other terms.

(b) The Company shall have thirty (30) days from the date it receives the Third Party Offer (the **"Refusal Option Period"**) in which the Company at its option may elect to purchase all, but not less than all, of the Offered Interest on the terms provided in the Third Party Offer.

In order to elect to purchase the Offered Interest, the Company must send notice of its election to the Selling Member no later than the last day of the Refusal Option Period.

(c) If the Company does not timely elect to purchase the Offered Interest, the other Member(s) shall have thirty (30) days from the expiration of the Refusal Option Period to elect to purchase all, but not less than all, of the Offered Interest on the terms provided in the Third Party Offer. In order to elect to purchase the Offered Interest, each purchasing other Member must send notice of its election to the Selling Member no later than the last day of such thirty (30) day period. If more than one other Member desires to purchase the Offered Interest, such purchase shall be shared among the purchasing other Members in proportion to their Percentage Interests as of the last day of the Refusal Option Period or in such other proportions as such purchasing other Members shall specify in a joint notice of election to purchase that is timely sent to the Selling Member.

(d) If (and only if) the Company and the other Member(s) do not timely elect to purchase the Offered Interest, the Selling Member may Transfer all, but not less than all, of the Offered Interest to the Third Party Buyer on exactly the terms (and only the terms) provided in the Third Party Offer. If for any reason the Selling Member does not consummate the Transfer to the Third Party Buyer by the sixtieth (60th) day following the end of the Refusal Option Period, the Selling Member must again comply with this Section 9.3 before it may Transfer the Offered Interest to the Third Party Buyer.

(e) Notwithstanding anything else to the contrary provided in this Agreement, the Third Party Buyer of a Transfer effective under this Section 9.3 shall be deemed admitted as a Member with respect to the Offered Interest.

(f) Any decision to be made by the Company under this Section 9.3 shall be made by the Members owning sixty-six and two thirds' percent (66.67%) of the Percentage Interests excluding the Percentage Interests of any Member requesting a Transfer hereunder.

Section 9.4 -- Admission of Transferee. A Transferee under a Transfer that is effective under Section 9.1 shall be deemed admitted as a Member with respect to the Interest Transferred, and shall be subject to all the rights, restrictions and liabilities of a Member with respect to the Interest Transferred, including without limitation this Article IX with respect to any subsequent Transfer of all or any portion of the Interest Transferred.

Section 9.5 -- Injunctive Relief. Transfer of all or any part of an Interest in breach of this Agreement shall be of no force and effect and the Company shall not recognize the Transfer for making allocations or distributions, or any other purpose. The Members agree that a Transfer in breach of this Agreement shall result in irreparable harm to the Company and any other Member, for which there is no adequate remedy at law, and that accordingly the Company and any other Member shall be entitled to injunctive and other equitable relief for such breach in addition to damages or other relief available at law.

Section 9.6 -- Reasonableness of Restrictions; Void Transfers. Each Member acknowledges that the restrictions described in this Article IX are reasonable in view of the

purposes of the Company and the relationship of the Members. Any Transfer that does not fully comply with all applicable provisions of this Agreement shall be null and void and without effect, ab initio. Any Person who claims to be the transferee of an Interest, or any Person to whom rights attributable to any such Interest are attempted to be transferred in violation of this Article IX, shall not be entitled to: vote on matters coming before the Members, participate in the management of the Company, act as an agent of the Company, receive distributions from the Company, or have any other rights in or with respect to such Interest.

ARTICLE X DISSOLUTION AND LIQUIDATION

Section 10.1 -- Dissolution.

(a) The Company shall be dissolved upon, and only upon, the earliest to occur of the following: (i) a decision to dissolve by a Super Majority in Interest; or (ii) entry of a decree of judicial dissolution under the Act.

(b) Following dissolution, the Managers shall wind up the Company's affairs. The Managers shall collect the Company's assets, dispose of the assets that will not be distributed in kind to Persons owning Interests or applied in kind to the satisfaction of Company liabilities, and discharge or make provision for the Company's liabilities (including but not limited to the expenses of winding up). The Company shall distribute any remaining assets among Persons owning Interests in accordance with Section 8.2(a). Following dissolution, the Company shall carry on only that business appropriate to wind up and liquidate its business and affairs.

ARTICLE XI MISCELLANEOUS

Section 11.1 -- Notices and Consents.

(a) All notices, consents, or other communications required or permitted to be given pursuant to this Agreement to be effective must be in a writing signed by the giving party.

(b) All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by facsimile (with receipt confirmed), by electronic mail or by registered or certified mail (postage prepaid, return receipt requested) to the address of the party so notified as indicated in the Company's books and records.

(c) Except to the extent otherwise provided in this Agreement, any consent of a Person required by this Agreement may be given or withheld in good faith by such Person in such Person's sole discretion and subject to any conditions such Person may impose in good faith.

Section 11.2 -- Amendments. Amendments to this Agreement may be made by, and only by, the consent of a Super Majority in Interest, other than those allowed by Section 6.3(s).

Section 11.3 -- Counterparts. This Agreement may be executed in as many counterparts as shall be deemed necessary by the Members who are the initial signatories hereto, and when so executed, each such counterpart shall be deemed to be an original, but all of which shall be deemed to constitute one instrument.

Section 11.4 -- Governing Law. This Agreement shall be governed by and construed in accordance with the Act and the other applicable laws of the Commonwealth of Virginia. If any provision of this Agreement violates any such applicable laws, then such provision shall be deemed severed and deleted from this Agreement and this Agreement shall be applied as though it did not contain such provision.

Section 11.5 -- Successors and Assigns; Third-Party Beneficiary. This Agreement and all the terms and provisions hereof shall be binding upon and shall inure to the benefit of the Company, the Members, and, as specified herein, the Management Persons and, subject to the restrictions on Transfer, their respective successors and assigns. No other Person shall be deemed a third-party beneficiary of, or otherwise have any rights under or with respect to, this Agreement.

Section 11.6 -- Captions, Articles, Sections, Paragraphs, Numbers, Gender, Exhibits, and Schedules. Captions contained in this Agreement are intended only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provision hereof. All references in this Agreement to Articles, Sections, or Paragraphs shall be deemed to refer to Articles, Sections, or Paragraphs of this Agreement except to the extent otherwise required by the context. When required by the context, (i) whenever the singular number is used in this Agreement it shall include the plural, and vice versa, and (ii) reference to a gender shall include the other genders. Any Exhibits or Schedules referred to in this Agreement are incorporated into this Agreement by such reference.


Section 11.7 -- Drafting. The Parties hereby acknowledge that each Member is sophisticated in business affairs and is represented by legal counsel who have participated in the drafting of this Agreement. No provision of this Agreement shall be construed against either party because such party or its counsel drafted such provision.

Section 11.8 -- Schedule of Ownership. The Schedule of Ownership attached hereto shall reflect the ownership of Interests of all Persons. In the event of a Transfer of an Interest in accordance with this Agreement, or the admission of a new Member in accordance with this Agreement, the Board shall prepare a revised Schedule of Ownership to this Agreement reflecting such occurrence.


Remainder of Page Intentionally Left Blank

IN WITNESS WHEREOF, this Agreement has been executed with intent to be effective as of the date first above written.

TIDEWATER TV, LLC

By:  (SEAL)
Name: DAVID A. HANNA
Title: PRESIDENT / MANAGER

JK Investments, LLC, a Virginia Limited Liability Company

By: 
Name: James L. Lockwood, Jr
Title: Manager

James L. Lockwood, Jr

By: 

SKY TELEVISION, L.L.C., a North Carolina Limited Liability Company

By: _____
Name: W. T. Lamm, III
Title: President

IN WITNESS WHEREOF, this Agreement has been executed with intent to be effective as of the date first above written.

TIDEWATER TV, LLC

By: _____ (SEAL)
Name:
Title:

JK Investments, LLC, a Virginia Limited Liability Company

By: _____
Name:
Title:

James L. Lockwood, Jr

By: _____

SKY TELEVISION, L.L.C., a North Carolina Limited Liability Company

By: W. T. Lamm, III
Name: W. T. Lamm, III
Title: President

EXHIBIT A
FORM OF INSTRUMENT OF ACCESSION

(See Attached)

INSTRUMENT OF ACCESSION

WHEREAS, the undersigned Transferor and the undersigned Transferee desire to have the Transferor's Transfer of an Interest to the Transferee pursuant to the attached instrument (the "Transfer") be effective under the Tidewater TV, LLC Operating Agreement as it heretofore may have been amended (the "Agreement");

NOW, THEREFORE:

1. Each of the Transferor and the Transferee (i) hereby acknowledges the Transfer to the Company and (ii) represents and warrants to the Company that such Transfer is in accordance with the Agreement and all applicable laws.
2. The Transferee hereby agrees to be bound by the Agreement. Without limiting the generality of the foregoing, the Transferee hereby acknowledges to the Company that the Transferee shall not be entitled to admission as a Member with respect to such Transferred Interest except as provided in the Agreement.
3. Capitalized terms used but not otherwise defined herein shall have the meanings provided in the Agreement.

IN WITNESS WHEREOF, the Transferor and Transferee have executed this instrument under seal this ____ day of _____, ____.

Transferor:

_____ (SEAL)

Transferee:

_____ (SEAL)

**ALLOCATION ADDENDUM
TO THE
OPERATING AGREEMENT
OF
TIDEWATER TV, LLC**

This Allocation Addendum shall be deemed a part of the Operating Agreement referred to above for all purposes.

1. Definitions. Whenever used in this Allocation Addendum or elsewhere in this Agreement, the following terms shall have the meaning assigned to them in this Paragraph 1 except to the expressly otherwise provided in this Agreement:

Adjusted Capital Account Deficit. “Adjusted Capital Account Deficit” shall mean with respect to any Member, the deficit balance, if any, in such Member’s Capital Account as of the end of the relevant Fiscal Year, after giving effect to the following adjustments:

- (i) An increase to such Capital Account of any amounts which such Member is obligated to restore or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(i) and 1.704-2(i)(5); and
- (ii) A decrease to such Capital Account of the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6).

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

Capital Account. “Capital Account” shall mean with respect to any Member, the Capital Account maintained in accordance with the following provisions:

- (i) To each Member’s Capital Account there shall be an increase to such Member’s Capital Account for such Member’s Capital Contributions, such Member’s distributive share of Profits and any items in the nature of income or gain which are specially allocated pursuant to Allocation Addendum Paragraphs 2, 3 or 4, and the amount of any Company liabilities assumed by such Member or which are secured by any Company Property distributed to such Member.
- (ii) To each Member’s Capital Account there shall be a decrease to such Member’s Capital Account for the amount of cash and the Gross Asset Value of any Company Property distributed to such Member pursuant to any provision of this Agreement, such Member’s distributive share of Losses and any items in the

nature of expenses or losses which are specially allocated pursuant to Allocation Addendum Paragraphs 2, 3, or 4, and the amount of any liabilities of such Member assumed by the Company or which are secured by any property contributed by such Member to the Company.

(iii) In determining the amount of any liability for purposes of clauses (i) and (ii) above, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

The foregoing provisions and the other provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations Sections 1.704-1(b) and 1.704-2 and shall be interpreted and applied in a manner consistent with such Regulations. The Board shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes in accordance with Regulations Section 1.704-1(b)(2)(iv)(g), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Sections 1.704-1(b) or 1.704-2.

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

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

(i) The initial Gross Asset Value of any asset contributed by a Member to the Company shall be the gross fair market value of such asset, as specified in this Agreement or (if not so specified) as determined by the Board;

(ii) The Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values, as determined by the Board, as of the following times: (A) the issuance of any Interest in the Company to any new or existing Member; (B) the distribution by the Company to a Member of more than a de minimis amount of Company Assets as consideration for an interest in the Company; or (C) the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g); provided, however that adjustments pursuant to clauses (A) and (B) above shall be made only if the Board determines

that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(iii) The Gross Asset Value of any Company Asset distributed to any Member shall be adjusted to equal the gross fair market value of such asset on the date of distribution as determined by the Board; and

(iv) The Gross Asset Values of Company Assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m) and clause (vi) of the definition of Profits and Losses and Allocation Addendum Paragraph 3(g); provided, however, that Gross Asset Values shall not be adjusted pursuant to this clause (iv) to the extent the Board determines that an adjustment pursuant to clause (ii) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iv).

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

Nonrecourse Deductions. “Nonrecourse Deductions” shall have the meaning provided in, and shall be determined in accordance with, Regulations Section 1.704-2.

Nonrecourse Liability. “Nonrecourse Liability” shall have the meaning provided in, and shall be determined in accordance with, Regulations Section 1.704-2(b)(3).

Partner Nonrecourse Debt. “Partner Nonrecourse Debt” shall have the meaning provided in Regulations Section 1.704-2.

Partner Nonrecourse Debt Minimum Gain. “Partner Nonrecourse Debt Minimum Gain” shall have the meaning provided in, and shall be determined in accordance with, Regulations Section 1.704-2.

Partner Nonrecourse Deductions. “Partner Nonrecourse Deductions” shall have the meaning provided in, and shall be determined in accordance with, Regulations Section 1.704-2.

Partnership Minimum Gain. “Partnership Minimum Gain” shall have the meaning provided in, and shall be determined in accordance with, Regulations Section 1.704-2.

Profit or Loss. “Profit” or “Loss” shall mean for each Fiscal Year an amount equal to the Company’s taxable income or loss for the Fiscal Year, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

- (i) Any income of the Company that is exempt from Federal income tax and not otherwise taken into account in computing Profits and Losses pursuant to this definition shall be added to such taxable income or loss;
- (ii) Any expenditures of the Company described in Code Section 705(a)(2)(B) or treated as Code Section 705(a)(2)(B) expenditures pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Profits and Losses pursuant to this definition, shall be subtracted from such taxable income or loss;
- (iii) In the event the Gross Asset Value of any Company Property is adjusted pursuant to clauses (ii) or (iii) of the definition of Gross Asset Value, the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Profits and Losses;
- (iv) Gain or loss resulting from any disposition of Company Property with respect to which gain or loss is recognized for Federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;
- (v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Fiscal Year computed in accordance with the definition thereof;
- (vi) To the extent an adjustment to the adjusted tax basis of any Company Asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of Member’s interest in the Company, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Profits and Losses; and
- (vii) Notwithstanding any other provisions of this definition, any items which are specially allocated pursuant to Allocation Addendum Paragraphs 2, 3, or 4 shall not be taken into account in computing Profits and Losses.

The amounts of the items of Company income, gain, loss, or deduction to be specially allocated pursuant to Allocation Addendum Paragraphs 2, 3, or 4 shall be determined by applying rules analogous to clauses (i) through (vi) above.

2. Limitation on Loss Allocations. Losses under Section 8.1 shall not be allocated to a Member to the extent (i) such allocation would create or increase an Adjusted Capital Account Deficit for such Member at the end of any Fiscal Year and (ii) such Losses can be allocated to one or more other Members without creating or increasing an Adjusted Capital Account Deficit at the end of any Fiscal Year for such other Member(s); instead, such Losses shall, to such extent, be allocated to such other Member(s), shared among them (if more than one) in proportion to the maximum amount of Losses that can be allocated to each such other Member without so creating or increasing an Adjusted Capital Account Deficit for such other Member.

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

(a) **Minimum Gain Chargeback.** Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding any other provision of this Agreement, 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 Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Allocation Addendum Paragraph 3(a) is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(b) **Partner Minimum Gain Chargeback.** Except as otherwise provided in Regulations Section 1.704-2(i)(4), notwithstanding any other provision of this Agreement, 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 Regulations Section 1.704-2(i)(5), 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 Person's share of the net decrease in Partner Nonrecourse Debt Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4) and 1.704-2(j)(2). This Allocation Addendum Paragraph 3(b) is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.

(c) Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), Section 1.704-1(b)(2)(ii)(d)(5), or Section 1.704-1(b)(2)(ii)(d)(6), items of Company income and gain shall be specially allocated to each such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, the Adjusted Capital Account Deficit of such Member as quickly as possible, provided that an allocation pursuant to this Allocation Addendum Paragraph 3(c) shall be made only if and to the extent that such Member would have an Adjusted Capital Account Deficit after all other allocations provided for in this Agreement have been tentatively made as if this Allocation Addendum Paragraph 3(c) were not in this Agreement.

(d) Gross Income Allocation. In the event any Member has a deficit Capital Account balance 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, and (ii) the amount such Member is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of such excess as quickly as possible, provided that an allocation pursuant to this Allocation Addendum Paragraph 3(d) shall be made only if and to the extent that such Member would have a deficit Capital Account balance in excess of such sum after all other allocations provided for in this Agreement have been made as if Allocation Addendum Paragraph 3(c) and this Allocation Addendum Paragraph 3(d) were not in this Agreement.

(e) Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year shall be specially allocated to the Members owning Common Interests in the proportions provided in Section 8.1.

(f) Partner Nonrecourse Deductions. 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 Regulations Section 1.704-2(i)(1).

(g) Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Sections 1.704-1(b)(2)(iv)(m)(2) or 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of such Member's interest in the Company, 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 Members owning Common Interests in the proportions provided in Section 8.1.2 in the event that Regulations Section 1.704-2(b)(2)(iv)(m)(2) applies, or to the Member to whom such

distribution was made in the event that Regulations Section 1.704-(b)(2)(iv)(m)(4) applies.

(h) **Allocations Relating to Taxable Issuance of Interests.** Any income, gain, loss, or deduction realized as a direct or indirect result of the issuance of an interest by the Company to a Member (the “Issuance Items”) shall be allocated as determined by the Board among the Members so that, to the extent possible, the net amount of such Issuance Items, together with all other allocations under this Agreement to each Member, shall be equal to the net amount that would have been allocated to each such Member if the Issuance Items had not been realized.

(i) **Allocation of Sales Adjustment.** The amount of any adjustment in the good will contributed by a Member pursuant to Section 7.1(e) shall be allocated to such Member as an item of gain.

(j) **Discretionary Authority for Compliance.** The Board is authorized in its discretion to allocate items of income, gain, loss, deduction, or credit for any Fiscal Year differently than otherwise provided for in this Agreement to the extent that allocation in the manner provided for in this Agreement, in the opinion of the professional tax advisor to the Company (tax counsel or accountants), would cause the determinations and allocations of each Member’s distributive share of income, gain, loss, deduction, or credit (or item thereof) not to be permitted by Code Section 704(b) and the Regulations thereunder.

4. Curative Allocations. The allocations set forth in Allocation Addendum Paragraphs 2, 3(a), 3(b), 3(c), 3(d), 3(e), 3(f), and 3(g) (the “Regulatory Allocations”) are intended to comply with certain requirements of the Regulations. It is the intent of the Members that, to the extent possible, all Regulatory Allocations shall be offset either with other Regulatory Allocations or with special allocations of other items of Company income, gain, loss, or deduction pursuant to this Paragraph 4. Therefore, notwithstanding any other provision of this Agreement (other than the Regulatory Allocations), the Board shall make such offsetting special allocations of Company income, gain, loss, or deduction in whatever manner they determine appropriate so that, after such offsetting allocations are made, each Member’s Capital Account balance is, to the extent possible, equal to the Capital Account balance such Member would have had if the Regulatory Allocations were not part of this Agreement and all Company items were allocated pursuant to the other provisions of this Agreement. In exercising its discretion under this Allocation Addendum Paragraph 4, the Board shall take into account future Regulatory Allocations under Allocation Addendum Paragraphs 3(a) and 3(b) that, although not yet made, are likely to offset other Regulatory Allocations previously made under Allocation Addendum Paragraphs 3(e) and 3(f).

5. Other Allocation Rules.

(a) For purposes of determining the Profits, Losses, or any other items allocable to any period, Profits, Losses, and any such other items shall be determined on a

daily, monthly, or other basis, as determined by the Board using any permissible method under Code Section 706 and the Regulations thereunder.

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

(c) To the extent permitted by Section 1.704-2(h)(3) of the Regulations, the Board shall endeavor to treat cash distributions as having been made from the proceeds of a Nonrecourse Liability or a Partner Nonrecourse Debt only to the extent that such distributions would cause or increase an Adjusted Capital Account Deficit for any Member.

(d) If during a Fiscal Year, any event occurs which results in a change during the Fiscal Year in any Member's interest in the Company within the meaning of Code Section 706(d), the allocations of Profit, Loss, and other items of income, gain, loss, deduction and credit of the Company for such Fiscal Year shall take into account such change using any method permitted by Code Section 706(d) that is selected by the Board in its discretion.

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

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

The Board shall have the maximum discretion and flexibility permitted by Code Section 704(c) and the Regulations thereunder, including without limitation making curative allocations over a reasonable period of time as permitted by Regulations Section 1.704-3(c)(3)(ii), disregarding the general limitation on character as permitted by Regulations Section 1.704-3(c)(3)(iii)(B), using the remedial allocation method permitted by Regulations Section 1.704-3(d), and disregarding the application of Section 704(c) or using one of the other options permitted by Regulations Section 1.704-3(e)(1) in the case of a "small disparity".

Allocations pursuant to this Paragraph 5 are solely for purposes of Federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of this Agreement.

**MANAGEMENT ADDENDUM
TO THE
OPERATING AGREEMENT
OF
TIDEWATER TV, LLC**

This Management Addendum shall constitute a part of the Operating Agreement referred to above for all purposes.

**ARTICLE I
MANAGEMENT AUTHORITY**

Section 1.1 Vesting. The Company's affairs shall be managed by its Executives under the direction of its Board of Managers (the "**Board**").

**ARTICLE II
MANAGEMENT BOARD**

Section 2.1 Number, Designations, and Qualifications. The initial number of Managers on the Board shall be the following three (3): James L. Lockwood, Jr., David A. Hanna, and Pamela B. Lawson. The Managers, or each of them, may exercise any of the powers granted to the Managers in accordance with the provisions of this Agreement or the Act.

Section 2.2 Term of Managers. A Manager shall serve as such until his or her death, resignation or removal.

Section 2.3 Removal. Any Manager may be removed at any time with or without cause by consent of a Majority in Interest.

Section 2.4 Vacancies. Any vacancy occurring in the Board shall be filled by consent of a Majority in Interest.

Section 2.5 Chairperson. The Board may elect from their number at any meeting of the Board a Chairperson of the Board. The Chairperson shall preside at all meetings of the Board and of the Members and shall perform such other duties as may be directed by the Board.

Section 2.6 Compensation. Managers serving on the Board shall not be compensated for their services as such, but shall be reimbursed by the Company for reasonable expenses incurred in the course of performing their duties as Board Managers.

ARTICLE III MEETINGS OF MANAGERS

Section 3.1 Regular Meetings. Meetings of the board shall be held at such times and places as determined by the Board to be necessary to conduct business for the Company. The Company will use its best efforts to distribute written materials to Board Managers at least three (3) business days in advance of any regular meeting of the Board, including a meeting agenda, recent financial statements of the Company, and information relating to any material business issues of the Company.

Section 3.2 Special Meetings. Special meetings of the Board may be called by or at the request of the Chairperson of the Board or any Manager. Such a meeting shall be held fixed by the person or persons calling the meeting.

Section 3.3 Notice of Meetings. Regular meetings of the Board may be held without notice. The person or persons calling a special meeting of the Board shall, at least two (2) days before the meeting, give or cause to be given notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the Managers to a later time without further notice.

Section 3.4 Waiver of Notice. Any Manager may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the Manager entitled to the notice and delivered to the Company for inclusion in the minutes or filing with the Company records. A Manager's attendance at or participation in a meeting waives any required notice of such meeting unless the Manager at the beginning of the meeting, or promptly upon arrival, objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 3.5 Attendance by Remote Communication. Any or all Managers may participate in a meeting by, or conduct the meeting through the use of, any means of communication by which all Managers participating in the meeting may simultaneously hear each other during the meeting. A Manager participating in a meeting by this means is deemed present in person at the meeting.

Section 3.6 Manner of Acting. Except as otherwise provided in the Articles or this Agreement, including Section 3.8 of this Management Addendum, the affirmative vote of a majority of the Managers present at a meeting shall be the act of the Board.

Section 3.7 Presumption of Assent. A Manager who is present at a meeting of the Board or of a committee of the Board when action is taken is deemed to have assented to the action taken unless (a) the Manager objects at the beginning of the meeting, or promptly upon the Manager's arrival, to holding the meeting or to transacting business at the meeting, or (b) the Manager's dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) the Manager files written notice of the

Manager's dissent or abstention with the presiding officer of the meeting before its adjournment or with the Company immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a Manager who votes in favor of the action taken.

Section 3.8 Action without Meeting. Action required or permitted to be taken at a meeting of the Board may be taken without a meeting if the action is evidenced by one or more written consents signed by all the Managers before or after such action, describing the action taken, and included in the minutes or filed with the Company records. The consent of a Manager may be in electronic form bearing the Manager's electronic signature and delivered to the Company by e-mail or other electronic means to such address as is determined by or under the authority of the Board.

ARTICLE IV EXECUTIVES

Section 4.1 Officers. The Company's Executives shall consist of the following officers: a Chief Executive Officer, a President, a Secretary, a Chief Financial Officer, an Executive Vice President, Vice Presidents and Assistant Secretaries as may from time to time be appointed by or under the authority of the Board. Only natural persons may serve as officers. Any two or more offices may be held by the same person, but no officer may act in more than one capacity where action of two or more officers is required.

Section 4.2 Appointment and Term. The officers shall be appointed by the Board or by another officer authorized by the Board to appoint one or more officers or assistant officers. Each officer shall hold office until the officer's death, resignation, retirement, removal, disqualification or the officer's successor shall have been appointed. The appointment of an officer does not itself create contract rights.

Section 4.3 Compensation of Officers. The compensation of all officers of the Company shall be fixed by or under the authority of the Board, and no officer shall serve the Company in any other capacity and receive compensation therefor unless such additional compensation shall be duly authorized.

Section 4.4 Removal. Any officer may be removed by the Board at any time with or without cause. Removal shall not itself affect the officer's contract rights, if any, with the Company.

Section 4.5 Resignation. An officer may resign at any time by communicating the officer's resignation to the Company, orally or in writing. A resignation is effective when communicated unless it specifies in writing a later effective date. If a resignation is made effective at a later date that is accepted by the Company, the Board may fill the vacancy before the effective date if the Board provides that the successor does not take office until the effective date. An officer's resignation does not affect the Company's contract rights, if any, with the officer.

Section 4.6 Bonds. The Board may require any officer, agent, or employee of the Company to give bond to the Company, with sufficient sureties, conditioned on the faithful performance of the duties of his or her respective office or position, and to comply with such other conditions as may from time to time be required by the Board.

Section 4.7 Chief Executive Officer. The Chief Executive Officer, under the direction of the Board, shall manage and direct the management of the Company's affairs as provided in this Management Addendum and consistent with predetermined grants of authority, as updated from time to time by approval of the Board. The Chief Executive Officer may sign, with the Secretary, an Assistant Secretary, or any other proper officer of the Company, any certificates for Interests in the Company, and any deeds, mortgages, bonds, contracts, or other instruments, which have been authorized and are consistent with predetermined grants of authority, as updated from time to time by approval of the Board, except in cases where the signing and execution thereof shall be delegated to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed.

Section 4.8 President. The President, under the direction of the Chief Executive Officer and the Board, shall manage and direct the management of the Company's affairs as provided in this Management Addendum and consistent with predetermined grants of authority, as updated from time to time by approval of the Board. The President may sign, with the Secretary, an Assistant Secretary, or any other proper officer of the Company, any certificates for Interests in the Company, and any deeds, mortgages, bonds, contracts, or other instruments, which have been authorized and are consistent with predetermined grants of authority, as updated from time to time by approval of the Board, except in cases where the signing and execution thereof shall be delegated to some other officer or agent of the Company, or shall be required by law to be otherwise signed or executed.

Section 4.9 Executive Vice President. In the absence of or in the event of the death, inability or refusal to act of the President, the Executive Vice President shall perform the duties of the Chief Executive Officer or President, and when so acting shall have all the powers of and be subject to all the restrictions upon the Chief Executive Officer or President. The Executive Vice President may sign, with the Secretary or an Assistant Secretary, any certificates for Interests, the issuance of which has been authorized and is consistent with predetermined grants of authority, as updated from time to time by approval of the Board. The Executive Vice President shall perform such other duties as from time to time may be prescribed by the Board.

Section 4.9 Vice-Presidents. In the absence of or in the event of the death, inability or refusal to act of each Executive Vice President, the Vice Presidents in the order of their length of service as such unless otherwise determined by the Board, shall perform the duties of the Executive Vice President, and when so acting shall have all the powers of and be subject to all the restrictions upon the Executive Vice President. Any Vice President may sign, with the Secretary or an Assistant Secretary, any certificates for

Interests, the issuance of which has been authorized and is consistent with predetermined grants of authority, as updated from time to time by approval of the Board. A Vice President shall perform such other duties as from time to time may be prescribed by the Board.

Section 4.10 Secretary. The Secretary shall: (a) keep the minutes of the meetings of Members, of the Board and of all committees of the Board in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Agreement or as required by law; (c) maintain and authenticate the records of the Company and be custodian of the Company's seal, if any, and see that such seal is affixed to all documents the execution of which on behalf of the Company under its seal is duly authorized; (d) sign with the Chief Executive Officer or any Vice President, any certificates for Interests, the issuance of which has been authorized and is consistent with predetermined grants of authority, as updated from time to time by approval of the Board; (e) maintain and have general charge of the Interest transfer books of the Company; (f) prepare or cause to be prepared Member lists prior to each meeting of Members; (g) attest the signature or certify the incumbency or signature of any officer of the Company; and (h) perform such other duties as from time to time may be prescribed by the Board.

Section 4.11 Assistant Secretaries. In the absence of the Secretary or in the event of the Secretary's death, inability or refusal to act, the Assistant Secretaries in the order of their length of service as Assistant Secretary unless otherwise determined by the Board, shall perform the duties of the Secretary, and when so acting shall have all the powers of and be subject to all the restrictions upon the Secretary. They shall perform such other duties as from time to time may be prescribed by the Board. Any Assistant Secretary may sign, with the Chief Executive Officer or any Vice President, any certificates for Interests, the issuance of which has been authorized and is consistent with predetermined grants of authority, as updated from time to time by approval of the Board.

Section 4.12 Chief Financial Officer. The Chief Financial Officer shall (a) have charge and custody of and be responsible for all funds and securities of the Company; receive and give receipts for moneys due and payable to the Company from any source whatsoever, and deposit all such moneys in the name of the Company in such depositories as shall be selected by or under the authority of the Board; (b) maintain appropriate accounting records as required by law; and (c) perform such other duties as from time to time may be prescribed by the Board.

SCHEDULE OF OWNERSHIP

Member	Percentage Interest
JK Investments	41%
James L. Lockwood, Jr.	10%
SKY	49%