

OPERATING AGREEMENT OF HAPPY TUNE PRODUCTIONS, LLC

This Operating Agreement made as of this _____ day of August, 2013 by and among Town Square Productions, Inc., a New York State Corporation with offices at 226 West 47th Street, Suite 900, New York, NY 10036, PJ Theatrical Productions LLC, a New York State Limited Liability Company with offices at 6 Linda Lane, Plainview, NY 11803, as Managing Members (sometimes referred to as "Manager", or "Producer") of HAPPY TUNE PRODUCTIONS, LLC (the "Company"), and such parties who from time to time execute this Agreement as Members.

WHEREAS, the parties hereto desire to become members of a limited liability company under and subject to the laws of the State of New York; and

WHEREAS, the parties desire to enter into this Operating Agreement to express the terms and conditions of such Company and their respective rights and obligations with respect thereto; and

WHEREAS, the parties hereto wish Don Frantz and Jonathan Pollard, or such persons as Managers may designate to act as and for the Managing Members to be the only Authorized Persons to act on behalf of the Company;

NOW, THEREFORE, in consideration of the foregoing of the mutual covenants and conditions herein contained, and other good and valuable consideration, receipt of which is hereby acknowledged by each party to the others, the parties hereto, for themselves, their respective heirs, executors, administrators, successors and assigns, hereby agree as follows:

1. Definitions: The following terms as used herein shall have the following meanings:

(a) "Agreement" shall mean the Operating Agreement as set forth herein and as amended from time to time, as the context requires. Words such as "herein," hereinafter," "hereof," "hereby," and "hereunder," when used with reference to this Agreement, refer to this Agreement as a whole, unless the context otherwise requires.

(b) "Articles of Organization" means the document filed with the Department of State of the State of New York, for the purpose of forming a limited liability company pursuant to the Laws of the State of New York.

(c) "Author" shall mean Dennis T. Giacino, author of the musical stage play *DISENCHANTED!*

(c) "Authorized Persons" means Don Frantz or Jonathan Pollard or any other person designated by the Managing Members, as the only person or persons authorized by this Agreement to act on behalf of the Company in carrying on the business of this Company.

(d) "Bankruptcy" as to any person shall mean the filing of petition for relief as to any such person as debtor or bankrupt (except if such petition is contested by such person and has

been dismissed within 90 days); insolvency of such person as formally determined by a court proceeding; filing by such person as formally determined by a court proceeding; filing by such person of a petition of application to accomplish the same or for the appointment of a receiver or a trustee for such person or a substantial part of his assets; or commencement of any proceedings relating to such person under any reorganization, arrangement, insolvency, adjustment of debtor liquidation law of any jurisdiction, whether now in existence or hereinafter in effect, either by such person or by another, provided that if such proceeding is commenced by another, such person indicates his approval of such proceeding, consents thereby or acquiesces therein, or such proceeding is contested by such person and has not been finally dismissed within ninety (90) days.

(f) "Capital Contribution" shall mean the total amount of cash, bonds, deposits and/or in-kind contributions contributed to the Company by an Investor Member in return for a share of the Company's Net Profits as more fully described herein.

(g) "Company" shall mean the Limited Liability Company formed pursuant to this Agreement as such Membership may from time to time be constituted.

(h) "Expenses" shall mean contingent expenses and liabilities, as well as unmatured expenses and liabilities, and until the final determination thereof, the Managing Members shall have the absolute right to establish, as the amount thereof, such sums as they, in their sole discretion, shall deem advisable.

(i) "Gross Receipts" shall mean all sums derived by the Company from the exploitation or turning to account of its rights in the Play (which shall be acquired from the Managing Members upon formation of the Company) including all proceeds derived by the Company from the liquidation of the physical production of the Play at the conclusion of the run thereof, and from the return of bonds and other recoverable items included in the Production Expenses.

(j) "Interests" shall mean the securities offered hereunder, which in the aggregate shall entitle the Managing Member to fifty percent (50%) of the Net Profits of the Company. An Investor Member purchasing Interests shall be entitled to receive the ratio of fifty percent (50%) of the Net Profits which his Capital Contribution bears to the Total Capitalization.

(k) "Investor Member" shall mean a member of the Company making Capital Contributions to the Company. The Investor Members do not have any votes, or ability to make decision or authority to act on behalf of the Company. The Managing Members may be Investor Members as well as Managing Members if it such Managing Members make a Capital Contribution.

(l) "Net Profits of the Company" shall mean the excess of Gross Receipts over all Production Expenses, Running Expenses, and other Expenses. This shall include any Production Expenses incurred or paid out by the Managing Members prior to the inception of the Company, for which the Managing Members shall be reimbursed upon Total Capitalization.

(m) "Notice" shall mean a writing, containing the information required by this Agreement to be communicated to any person, personally delivered to such person or sent by registered or certified mail, postage prepaid, to such person at the last known address of such person. The date of personal delivery or the date of mailing thereof, as the case may be, shall be deemed the date of receipt of Notice.

(n) "Option Period" shall mean the term as it is defined in the Production Agreement between the Managing Member and the Author, Dennis T. Giacino, entered into on January 1, 2013. Copies of the completed Production Agreement are available for examination at the offices of the Peter Breger, Attorney at Law, 1560 Broadway, Suite 1101, New York, NY 10036.

(o) "Other Expenses" shall mean all expenses of whatsoever kind or nature other than Production Expenses and Running expenses actually and reasonably incurred in connection with the operation of the business of the company, including, but without limiting the foregoing, commissions paid to agents, and monies paid or payable in connection with claims for plagiarism, libel, and negligence.

(p) "Person" shall mean any individual, partnership, corporation, company, joint venture, trust, business trust, cooperative, or association of the heirs, executors, administrators, successors and assigns thereof, where the context so admits. All pronouns and any variations thereof used herein shall be deemed to refer to the masculine, feminine, neuter singular or plural, as the identity of the person referred to may require.

(q) "Play" shall mean the play written by the Author, entitled *DISENCHANTED!*

(r) "Production Expenses" shall mean fees of the director and designers; cost of sets, curtains, drapes, costumes, properties, furnishings, electrical equipment, premiums for bonds and insurance, cash deposits with Actors' Equity Association or other similar organizations by which, according to custom or usual practices of the theatrical business, such deposits may be required to be made, advances to the Authors, rehearsal charges and expenses, transportation charges, cash office charges, reasonable legal and auditing expenses, advance publicity, theatre costs and expenses, costs of a developmental workshop, and all other expenses and losses of whatever kind (other than expenditures precluded hereunder) actually incurred in connection with the production of the Play preliminary to the official opening of the Play. The Managing Members have heretofore incurred or paid, and, prior to the inception of the Company, may incur or pay further Production Expenses as herein set forth, and the amount thereof, and no more, shall be included in the Production Expenses of the Company, and upon Total Capitalization the Managing Members shall be reimbursed for the expenses so paid by them.

(s) "Running Expenses" shall mean all expenses charges and disbursements of whatever kind actually incurred in connection with the operation of the Play, including, without limiting the generality of the foregoing, royalties (whether or not paid as a share of a royalty pool) and/or other compensation to or for the Authors, business and general managers, director, cast, stage help, transportation, cash office charge, reasonable legal and

auditing expenses, theatre operating expenses, and all other expenses and losses of whatever kind actually incurred in connection with the operation of the Play, as well as taxes of whatever kind and nature other than taxes on the income of the respective Investor Members and Managing Members. Such Running Expenses shall include, without limitation, payments made in the form of a share of Gross Receipts as well as participation in net profits to or for any of the aforementioned persons, services, or rights.

(u) "Subscriber" shall mean a person or entity who invests in the Company and purchases an interest as an Investor Member.

(v) "Total Capitalization" shall mean receipt by the Company of Capital Contributions totaling a minimum of Eight Hundred Fifty Thousand dollars (\$850,000) and a maximum of One Million Two Hundred Fifty Thousand dollars (\$1,250,000). "Unit" shall mean an Interest equal to a one percent (1 %) share of the Net Profits of the Company sold to a Subscriber in return for a Capital Contribution of no less than Seventeen Thousand dollars (\$17,000) at the minimum capitalization and not more than Twenty-five Thousand dollars (\$25,000) at the maximum capitalization. The Company may begin to employ contributed funds without any further authorization from investors when the minimum capitalization has been reached, and may continue to raise funds until the maximum capitalization has been reached or until the date of the official opening of the Play, whichever occurs first. The aggregate number of units sold will entitle the owner or owners thereof to fifty percent (50%) of the Net Profits of the Company.

2. Formation of Company:

(a) The parties hereto hereby form a Limited Liability Company pursuant to the provisions of the Laws of the State of New York. The Company shall conduct its business and promote the purposes stated herein under the name HAPPY TUNE PRODUCTIONS, LLC or such other name or names as the Managing Members from time to time may select. The address of the principal office of the Company shall be c/o Town Square Productions, Inc., 226 West 47th Street, Suite 900, New York, NY 10036, or such other place or places as the Managing Members may select. Notice of any change in the Company's principal office shall be given to the Investor Members.

(b) The purpose of the Company shall be to produce and present the Play Off-Broadway in New York City, New York to open before the expiration of the Option Period and, to exploit additional rights in the Play. The Company, provided that it produces the Play Off-Broadway, may, per the Production Agreement, acquire the rights to produce, present, and/or license productions on Broadway and throughout North America and additional territories world-wide.

3. Date of Commencement; Termination of Company:

(a) The Company commenced on February 13, 2013, the date on which, pursuant to the Laws of the State of New York, the Articles of Organization of the Company were duly filed with the Department of State of the State of New York. Amendments to the Articles of Organization, if any, shall be filed at appropriate times.

(b) Company shall terminate upon January 1, 2055, or resignation of the Managing Member and/or Members; (ii) the expiration of all of the Company's rights, title and interest in the Play; (iii) a date fixed by the Managing Members after abandonment of all further company activities; or (iv) any other event causing the dissolution of the Company under the laws of the State of New York.

(d) Dissolution of the Company shall be effective on the day on which the event occurs giving rise to the dissolution, but the Company shall not terminate until Articles of Dissolution shall be filed in the State of New York, and the assets of the Company shall have been distributed as provided herein. Notwithstanding the dissolution of the Company, prior to the termination of the Company the business of the Company shall continue to be governed by this Agreement.

4. Capitalization:

(a) The Total Capitalization of a minimum of Eight Hundred Fifty Thousand dollars (\$850,000) up to a maximum of One Million Two Hundred Fifty Thousand dollars (\$1,250,000.00) has been established on the basis of the estimated production requirements for the production of the Play as described above, and the minimum is an amount which in the opinion of the Managing Member shall be sufficient to mount a production in a theatre in New York City with approximately 291 seats. The Company intends and hereby authorizes the Managing Members to sell and issue a total of fifty (50) Units and to admit as Investor Members and Additional Investor Members those persons whose Capital Contributions have been accepted by the Managing Members in accordance with this Agreement. The Company may begin to employ contributed funds without any further authorization from investors when the minimum capitalization has been reached, and may continue to raise funds until the maximum capitalization has been reached or until the date of the official opening of the Play, whichever occurs first. Each Investor Member and Additional Investor Member shall contribute to the Capital of the Company the sum set forth as his contribution opposite his signature affixed to the Subscription Form annexed hereto. The Capital Contribution of each Investor Member shall be payable at the time of his execution and delivery to the Managing Members of the Agreement. Capital Contributions will be used for payment of all expenses incurred in connection with the production and presentation of the Play. All persons whose Capital Contributions and subscription are accepted by the Managing Members shall be deemed to be Investor Members. If the Total Capitalization is not raised prior to the expiration of the option period as extended, the Managing Members shall terminate the offering hereunder, and all Capital Contributions shall be returned to the Subscribers thereof, with accrued interest (if the funds are held in an interest bearing account), except to the extent utilized by consent of individual Subscribers who have waived their right of refund.

(b) No Investor Member will be required to contribute any additional funds to the Company above his initial Capital Contribution.

(c) If the Expenses actually incurred shall exceed the Total Capitalization, the Managing Members may, by making contributions or loans themselves, or by obtaining additional funds or contributions or loans from the Investor Members or others, make available to the Company such sums as shall equal the excess, but such additional

contributions or loans shall not have the effect of reducing the share of Net Profits payable to the Investor Members, and any assignment of Net Profits to persons making such contributions or loans shall come from the Managing Member's share of the Net Profits of the Producing Company. If, however, any such loans are made to the Company, such loans shall be entitled to be repaid in full, prior to the return of any Capital Contributions to the Investor Members.

(d) Unless otherwise provided herein, the Managing Members shall have sole discretion in establishing the conditions of the offering and sale of Units; and the Managing Members are hereby authorized and directed to take whatever action they deem necessary, convenient, appropriate, or desirable in connection therewith, including, but not limited to, the preparation and filing on behalf of the Company of an offering circular, or prospectus with the SEC and the securities commissions (or similar agencies) of those states and jurisdictions which the Managing Members shall deem necessary.

5. Distribution of Remaining Cash: After payment or reasonable provision for payment of all debts, liabilities, taxes and contingent liabilities of the Company, and after provision for a reserve in the amount to be determined by the Managing Members, but in no event in excess of \$350,000.00 or four (4) weeks of operating expenses, whichever is greater, all remaining cash shall be distributed at least annually to the Investor Members together with the statement of operation herein provided for, pro rata, until their Capital Contributions to the Company shall have been repaid. Thereafter, all cash in excess of such contingent liabilities shall be paid to the Managing Members and Investor Members in the same proportion in which they shall share in the Net Profits.

6. Sharing of Net Profits and Losses: The Net Profits that may accrue from the business of the Company shall be distributed and divided among the Managing Members and Investor Members as follows:

(a) The Capital Contributions of the Investor Members shall first be repaid as provided above.

(b) The Investor Members shall each be entitled to receive that proportion of fifty percent (50%) of the Net Profits which his or her Capital Contribution bears to the Total Capitalization, excluding, however, from such Investor Members all persons who, pursuant to Paragraph 4 hereof, may be entitled to compensation only from the Managing Member's share of such Net Profits, and excluding the contributions so made by such persons.

(c) The Managing Members shall be entitled to receive fifty percent (50%) of the Net Profits.

(d) Until Net Profits shall have been earned, losses suffered and incurred by the Company, up to the Total Capitalization plus additional contributions, if any, shall be borne entirely by the Investor Members in proportion to, and only to the extent of, their respective Capital Contributions. After Net Profits shall have been earned, then, to the extent of such Net Profits, the Managing Members and Investor Members shall share any such losses pro rata in the same proportion as they are entitled to share in Net Profits pursuant to the

provisions of this Paragraph

7. Liability of Members. No Member shall be personally liable for any debts, obligations, or losses of the Company beyond the amount of his or her Capital Contribution to the Company and his or her share of any Net Profits. An Investor Member shall be liable only to make his or her Capital Contribution and shall not be required to lend any funds to the Company.

8. Distribution Upon Liquidation: Upon the termination of the Company, the assets of the Company shall be liquidated as promptly as possible and the cash proceeds shall be applied as follows in the following order of priority:

(a) To the payment of debts, taxes, obligations, and liabilities of the Company and the necessary expenses of liquidation. Where there is a contingent debt, obligation or liability, a reserve shall be set up to meet it, and if and when such contingency shall cease to exist, the monies, if any, in such reserve shall be distributed as provided for in this Paragraph 8.

(b) To the repayment of Capital Contributions of the Investor Members, such Members sharing such repayment proportionately to their respective Capital Contributions.

(c) The surplus, if any, of such assets then remaining shall be divided among the Managing Members and Investor Members in the proportion that they share in the Net Profits.

9. Death of Member: If an Investor Member shall die, his or her executors or administrators, or, if the Member shall become insane, or has been dissolved if not a natural person, his or her committee or other representative shall have the same rights that the Investor Member would have had if he or she had not died, become insane, or been dissolved, and the Interest of such Investor Member shall, until the termination of the Company, be subject to all of the terms, provisions, and conditions of this Agreement as if such Investor Member had not died, become insane or been dissolved.

10. Duties of Managing Members:

(a) The Managing Members shall:

(i) at all times from the conception of financial transactions during the continuance of the Company, keep or cause to be maintained full and faithful books of account in which shall be entered fully and accurately each transaction of the Company. All of such books of account shall be at all times open to the inspection and examination of the Investor Members or their representatives. The Managing Members shall likewise have available for examination and inspection of the Investor Members or their representatives, at any time, box office statements received from the theatre (or theatres, as the case may be) in which the Play is presented by the Company. The Managing Members agree to furnish financial statements to the Investor Members and the Department of Law of the State of New York in the manner and to the extent required by the provisions of Article 23 of the Arts and Cultural Affairs Law and the regulations issued by the Attorney General thereunder. The Managing Members further agrees to deliver to the Investor Members all information necessary to enable the Investor Members to

prepare their respective federal and state income tax returns;

(ii) render in connection with the theatrical productions of the Play such services as are customarily and usually rendered by theatrical producers, and devote as much time thereto as they may deem necessary, and manage and have complete control over all business affairs and decisions of the Company with respect to all productions of the Play;

(iii) have the right to apply for an exemption from any applicable accounting requirements set forth in Article 23 of the Arts and Cultural Affairs Law of the State of New York or in the applicable regulations promulgated thereunder, as such law or regulations may be amended from time to time;

(iv) be entitled to reimbursement by the Company upon total capitalization, or if any investors authorize the use of their investment prior to Total Capitalization being raised and they waive the return of their investment, for all out-of-pocket expenses reasonably paid or incurred by the Managing Members in connection with the discharge of its obligations hereunder or otherwise reasonably paid or incurred by the Managing Members on behalf of the Company;

(v) have the right to amend this Agreement from time to time by filing a Certificate Amendment or Correction, whichever is appropriate, without the consent of any of the Investor Members (A) to add to the duties or obligations of the Managing Members or surrender any right or power granted to the Managing Members herein, for the benefit of the Investor Members; (B) to cure any ambiguity, to correct or supplement any provision herein that may be inconsistent with any other provision herein, or to add any other provisions with respect to matters or questions arising under this Agreement that will not be inconsistent with the provision of this Agreement; and (C) to delete or add any provisions of this Agreement required to be so deleted or added by the staff of the SEC or by a State securities commissioner or other government official, whether United States or foreign, which addition or deletion is deemed by such authority to be for the benefit or protection of the Investor Members; and

(vi) have the right to amend this Agreement to add one, or more persons, firms or corporations as Managing Member up until the time the financing is completed.

(b) Notwithstanding anything to the contrary contained herein, this Agreement may not be amended without the consent of all the Investor Members who would be adversely affected by an amendment that:

(i) modifies the limited liability of an Investor Member;

(ii) alters the Interests of the Investor Members in the allocation of profits or losses or in distributions from the Company; or

(iii) affects the status of the Company for federal income tax purposes.

11. Additional Services of Managing Members: In the event that the Managing Members find it necessary to perform any services of a third person, the Managing Member providing

such services may receive the reasonable compensation for such services that a third person would have received for the services rendered.

12. Repayment of Capital Contribution: The Investor Members shall not have the right to demand and receive property other than cash in return for their Capital Contributions. In the repayment of Capital Contributions, the dividing of profits or otherwise. Except as provided in Paragraph 13 hereof, no Investor Member shall have priority over any other Investor Member.

13. Theatre Guarantee; Union Bonds: The Managing Members may arrange for the deposit of bonds required by the Actors' Equity Association or any other union or organization or theatre guarantees, without, however, reducing the proportion of Net Profits payable to the Investor Members. Such arrangements may provide for obtaining such bonds or guarantees from persons who may not be Investor Members upon terms which require that prior to the return of Investor Members' Capital Contributions, or the payment of any Net Profits, all funds otherwise available for such purposes shall be set aside and paid over to the Actors' Equity Association, or other such union, organization or theatre, in substitution for and in discharge of the bonds and guarantees furnished by such other persons. In the event such arrangements reduce the estimated production requirements, the Managing Members shall have the right to assign from the proportion of Net Profits allocable to the Investor Members, to the person contributing such guarantee or security, a share not greater than the amount that would otherwise have been allocable to the Capital Contribution required for the respective bonds; provided, however, that in no event shall the shares of Net Profits payable to each Investor Member hereunder be less than the proportion that would otherwise have been payable to such Investor Member had the amount of the respective bonds been contributed by the Investor Members as part of the Total Capitalization.

14. Payment of Expenses: Capital Contributions, in the discretion of the Managing Members, may be used to pay Running Expenses, Other Expenses, and Production Expenses.

15. Additional Members:

(a) The Managing Members shall have the right to admit Additional Investor Members and/or permit Investor Members to increase their respective Interests in the Company without obtaining the consent of any Investor Member, until the Company has investments in the amount of the Total Capitalization. A Member may not assign his or her interest, or any part thereof, in the Company.

(b) All references herein to Investor Members shall refer as well to Additional Investor Members, and all terms and conditions governing Investor Members shall also govern Additional Investor Members.

16. Co-production: The Managing Members shall have the unrestricted right, in the Managing Members' sole discretion, to co-produce the Play with any other entity and to enter into any agreement, in connection therewith, including partnership agreements, limited liability company operating agreements, or joint venture agreements, including, but not limited to agreements to add an additional managing member or members to a

Managing Member; provided, however, that no such co-production or similar arrangement shall decrease or dilute the Interests of the Investor Members.

17. Abandonment of Play: In the event that the Managing Members at any time shall determine in good faith that continuation of the production of the Play will not benefit the Company and should be abandoned, it shall have the sole right to make arrangements with any person to continue the run of the Play on such terms as the Managing Members may deem appropriate and beneficial to the Company, or to abandon the same.

18. Additional Company to Present Play; Licensee:

(a) In the event the Managing Members shall desire the Company to organize a company or companies in addition to the original one in order to present the Play in the British Isles, the United States and Canada, or any other part of the world (if the right to produce the Play in such areas accrues to the Company), then the Managing Members shall have the right to do so.

(b) In the event that the Company obtains the rights to present such additional productions, and organizes an additional company or companies to do so, the Managing Members shall offer to the Investor Members the opportunity to invest in such additional company or companies as follows: Investor Members will be offered the opportunity to invest a portion of the capitalization of the first such additional production equal to 50% of the portion of the capitalization that such Investor Member contributed to the initial Off-Broadway production. For example, if an Investor Member invests an amount equal to 10% of the Total Capitalization of the initial Off-Broadway production, he or she shall have the option to invest an amount equal to 5% of the capitalization of the first additional production produced by the Producer on the standard terms contained in the offering documents for such additional production. The right to invest in additional productions on this basis will continue so long as the Investor Member seeking to exercise such option has exercised it for the immediately previous production. The right to invest must be exercised and the investment delivered within thirty (30) days of the receipt of offering documents for any such additional production.

(c) The Company may also enter into one or more agreements with respect to the disposition of British production and subsidiary rights of the Play with any partnership, corporation, or other firm in which the Managing Members may be in any way interested, provided that such agreement shall be on fair and reasonable terms. The Managing Members shall also have the unrestricted right to employ a producer or manager for such British production, to pay him or her an amount the Managing Members deem appropriate and to give such person production billing either as a co-producer or associate producer.

(d) In addition, the Managing Members alone or associated in any way with any person, firm or corporation, may produce or co-produce other productions of the Play in other places and media, and may receive compensation therefore without any obligation whatever to account to the Company or the Investor Members, provided, however, that the Company shall be entitled to receive from any such producing entity, the customary fees and royalties payable to it, if any, as producers of the original Play in connection with such other productions.

(e) The Managing Members shall have the right in the Managing Members' sole discretion to make arrangements to license any rights in the Play to any other party or parties, provided the Company receives reasonable royalties or other reasonable compensation therefor, and, provided further, that the Company shall not be involved in any loss or expenses by reason thereof. In the event of any such license of rights, the Managing Members may render services to the licensee in connection with exploitation by the licensee of the rights so licensed.

19. Purchase of Production Rights: If, upon the termination of the Company, any production rights of the Play are purchased by a Managing Member or Members, with or without the physical production of the Play and with or without the Company's interest in the proceeds of the subsidiary rights of the Play, the amount paid by such Managing Member or Members shall be the fair and reasonable market value thereof.

20. Exclusive Option; Subsidiary Rights Income: The Managing Members, pursuant to the Production Agreement, have obtained the rights required to produce the Play in New York, NY for an option period of one year from the date of signing of the agreement, which period may be extended for an additional year. The Production Agreement also grants the Managing Members the right to present New York workshops, cabarets, showcases, and developmental productions, a pre-New York tryout and developmental production, and, provided that the Play is produced Off-Broadway during the option period, the exclusive right to produce and exploit the Play in North America (with the exception of performance rights in Minneapolis Metropolitan area previously granted to a local 2013 licensee for exclusive rights in the 2014 calendar year, and ongoing exclusive performance rights within a 60-mile radius of Rochester, NY previously granted to a 2011 licensee.), to obtain options to produce, present, and/or license the Play in additional territories worldwide. The Company, upon assignment to it of the Production Agreement by the Managing Members, will, depending upon the number of performances presented by the Company in an Off-Broadway theatre, receive the following percentages of the subsidiary rights income derived by the Author from the disposition of certain of the Author's subsidiary rights: Ten percent (10%) if the Play shall run for at least twenty-one (21) consecutive paid performances; twenty percent (20%) if the Play shall run for at least forty-two (42) consecutive paid performances; thirty (30%) if the Play shall run for at least fifty-six (56) consecutive paid performances; and forty percent (40%) if the Play shall run for sixty-five (65) consecutive paid performances or more. For the purposes of computing the number of performances, the first paid performance shall be deemed to be the first performance, however only seven paid previews will be counted in this computation.

21. Producer's Fees: In addition to its share of any Net Profits of the Company in the aggregate of fifty percent (50%), for which the Managing Members will make no cash capital contribution, the Managing Members will receive the following compensation:

The Managing Members will receive a royalty of 3% of Gross Weekly Box Office Receipts as Producers of the Play, or an alternative royalty of 3 points in a royalty pool consisting of 35% of weekly net operating profits. In addition, in their roles as Producers, the Managing Members will receive a Production Fee of \$15,000 and a weekly office charge of \$750 commencing five weeks before the first paid public performance and continuing until two weeks after the final performance.

Town Square Productions, Inc. will provide the services of a General Manager to the production and will be compensated for such services as follows: a production fee of \$15,000, a \$1,500 weekly management fee and a \$750 office charge commencing five weeks before the first paid public performance and continuing until two weeks following the final performance, and 2% of the Company's net profits.

22. Bank Where Funds Held: All monies raised from this offer and sale of Interests shall be held in a special bank account in trust at JP Morgan Chase Bank, N.A., at 270 Park Avenue, 41st floor, New York, NY 10017 or such other bank as may be determined by the Managing Members until actually employed for preproduction or production purposes or until returned to the investors. The Managing Members will have the sole discretion as to whether such funds shall be maintained in an interest-bearing account. Prior to Total Capitalization, the Capital Contribution of a subscriber may only be employed for pre-production or production purposes if specifically authorized by such subscriber.

23. Immediate Use of Funds: Any Investor Member who shall sign this Agreement under the category entitled "Investor Members Authorizing Immediate Use of Funds and Waiving Right of Refund" shall not be entitled to reimbursement of his or her Capital Contribution in the event Total Capitalization is not raised. By so signing, Investor Members specifically authorize the Managing Members to utilize their Capital Contribution for Production Expenses incurred prior to Total Capitalization.

24. Attorney in Fact: Each of the Investor Members and each of the Additional Investor Members does hereby make, constitute and appoint the Managing Members his or her true and lawful attorney in fact in his name, place, and stead, to make, execute, sign, acknowledge and file: (1) the Articles of Organization of the Company, including therein all information required by the laws of the State of New York; (2) any amended Articles of Organization, as may be required pursuant to this Agreement; (3) all certificates, documents and papers which may be required to effectuate dissolution of the Company after its termination; and (4) all such other instruments which may be deemed required or permitted by the laws of any state, the United States of America, or any political subdivision or agency thereof, to effectuate, implement, continue, and defend the valid and subsisting existence, rights, and property of the Company as a Limited Liability Company and its power to carry out its purposes as set forth herein.

25. Counterparts May Be Signed: This Agreement may be executed in one or more counterparts and each of such counterparts, for all purposes, shall be deemed to be an original, but all of such counterparts together shall constitute but one and the same instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

26. Arbitration: Any dispute arising under, out of, in connection with, or in relation to this Agreement, or the making or validity thereof, or its interpretation of any breach thereof, shall be determined and settled by arbitration in New York City pursuant to the rules then obtaining of the American Arbitration Association. The arbitrator is directed to award to the prevailing party reasonable attorneys' fees, costs, and disbursements, including reimbursement for the cost of witnesses, travel, and subsistence during the arbitration

and hearing. The provisions of this Paragraph, or any other provisions of this Agreement, shall not, however, operate to deprive the Investor Members of any rights afforded to them under the securities laws of the United States of America.

27. Documents Filed: Each of the parties to this Agreement acknowledges and agrees that one original of this Agreement (or set of original counterparts) shall be held at the office of the Company, that the Articles of Organization and such amendments thereto as are required shall be filed in the office of Secretary of State of New York, and that a duplicate original (or set of duplicate original counterparts) of each shall be held at the offices of the Company's Legal Counsel, and that there shall be distributed to each party a conformed copy thereof.

28. Entire Document: This Agreement contains the entire agreement between the parties hereto with respect to the matters contained herein and cannot be modified or amended except by written agreement signed by all of the parties.

29. Waiver: Except as otherwise expressly provided herein, no purported waiver by any party of any breach by another party of any of his obligations, agreements or covenants hereunder, or any part thereof, shall be effective unless made by written instrument subscribed to by the party or parties sought to be bound thereby, and no failure to pursue or elect any remedy with respect to any default under or breach of any provision of this Agreement, or any part thereof, shall be deemed to be a waiver of any other subsequent, similar or different default or breach, or any election of remedies available in connection therewith, nor shall the acceptance or receipt by any party of any money or other consideration due him under this Agreement, with or without knowledge of any breach hereunder, constitute a waiver of any provision of this Agreement with respect to such or any other breach.

30. Severability: Each provision of this Agreement shall be considered to be severable and if, for any reason, any such provision or provisions, or any part thereof, is determined to be invalid and contrary to any existing or future applicable law, such invalidity shall not impair the operation of or affect those portions of this Agreement which are valid, but this Agreement shall be construed and enforced in all respects as if such invalid or unenforceable provision or provisions had been omitted, provided, however, that the status of this Company, as a Company, shall not be prejudiced.

31. Agreement Binding: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective executors, administrators, and successors, but shall not be deemed for the benefit of creditors of any other persons, nor shall it be deemed to permit any assignment by the Managing Members or Investor Members of any of their rights or obligations hereunder.

32. Further Instruments: Each of the parties hereto hereby agrees that he or she shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof.

33. Governing Law: This Agreement and all matters pertaining thereto shall be governed by the laws of the State of New York applicable to agreements to be

performed entirely within the State of New York.

34. Reimbursement of Expenditures Advanced: Town Square Productions, Inc., one of the Managing Members, has raised or advanced a total of \$117,500 in “front money” as of the date of this Offering for the purpose of funding expenses of the Offering and various developmental expenses. Some Front Money Investors, including the Managing Member, may be reimbursed for a portion or all of their investment upon capitalization, or, at their option, may elect to convert the front money provided into an investment in the production. The Managing Members may elect to be reimbursed by the Company for any such advances or expenditures for production purposes upon total capitalization or to treat such advances or expenditures as an investment in the Company.

35. No Personal Liability of Members: There is no personal liability of either of the Managing Members, to the Company or to the Members for damages for any breach of duty in its capacity as manager, unless there is a judgment or other final adjudication adverse to it that establishes that its acts or omissions were in bad faith or involved intentional misconduct, or a knowing violation of law or that it personally gained in fact a financial profit or other advantage to which it was not legally entitled or that with respect to any distribution, its acts were not performed in accordance with the applicable laws governing a Limited Liability Company in the State of New York.

36. Risk Factor: These securities involve a high degree of risk and prospective purchasers should be prepared to sustain a loss of their entire investment.

37. Royalties:

(a) The Author, pursuant to the Production Agreement, is entitled to receive a royalty of six percent (6%) of the Gross Weekly Box Office Receipts until recoupment of 110% of the total production costs and seven percent (7%) of the Gross Weekly Box Office Receipts thereafter. The total royalties payable will be equal to 13.5% of Gross Weekly Box Office Receipts.

(b) In lieu of receiving a percentage of the weekly Gross Weekly Box Office Receipts, if all the royalty participants agree to share in a royalty pool, Author will also share in such a royalty pool formula, in which he will be entitled to receive a minimum of 15.58% of Weekly Net Operating Profits, if any, increasing to 17.78% on recoupment. The Royalty Pool, if any, will permit the royalty participants to share in no more than 35% of Weekly Net Operating Profits, if any, with a minimum royalty of \$250 per point.

38. Managing Members to Control Business: The Investor Members signing this Agreement do hereby acknowledge that the Company is to be managed solely by the Managing Members, and that the Investor Members do not have any control of the business, except as otherwise herein specifically set forth. The Investor Members will not have authority to conduct any business of the Company and each agrees that he or she will not act on behalf of the Company, nor will he or she represent that they have any authority to act on behalf of the Company, or to bind the Company in any respect.

39. Offering Material Furnished: By his or her signature appended to this Agreement, each Investor Member represents and warrants that together with this Limited Liability Company Operating Agreement, he or she has been furnished with offering material contained in the Private Placement Memorandum, as same may be amended.

IN WITNESS WHEREOF, the parties hereto have executed this Operating Agreement on the day and year indicated below.

HAPPY TUNE PRODUCTIONS, LLC

By: Don Frantz for Town Square Productions, Inc.

Date

By: Jonathan Pollard for PJ Theatrical Productions LLC

Date

OPTION 1

**INVESTOR MEMBERS AUTHORIZING IMMEDIATE USE OF FUNDS
AND WAIVING RIGHT OF REFUND**

THE FOLLOWING SIGN THE FOREGOING AGREEMENT AS INVESTOR MEMBERS AND AGREE THAT THEIR CONTRIBUTIONS MAY BE USED FORTHWITH BY THE MANAGING MEMBER FOR PRODUCTION OR PRE-PRODUCTION PURPOSES. THE UNDERSIGNED WAIVE THEIR RIGHT OF REFUND OF ANY PORTION OF SUCH CONTRIBUTION EXPENDED FOR SUCH PURPOSES IN THE EVENT THE PRODUCTION IS ABANDONED PRIOR TO FULL CAPITALIZATION OF THE COMPANY. THE UNDERSIGNED OBTAIN NO ADVANTAGE BY ENTERING INTO THIS AGREEMENT.

Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Signature

Date

COPY

OPTION 1

**INVESTOR MEMBERS AUTHORIZING IMMEDIATE USE OF FUNDS
AND WAIVING RIGHT OF REFUND**

THE FOLLOWING SIGN THE FOREGOING AGREEMENT AS INVESTOR MEMBERS AND AGREE THAT THEIR CONTRIBUTIONS MAY BE USED FORTHWITH BY THE MANAGING MEMBER FOR PRODUCTION OR PRE-PRODUCTION PURPOSES. THE UNDERSIGNED WAIVE THEIR RIGHT OF REFUND OF ANY PORTION OF SUCH CONTRIBUTION EXPENDED FOR SUCH PURPOSES IN THE EVENT THE PRODUCTION IS ABANDONED PRIOR TO FULL CAPITALIZATION OF THE COMPANY. THE UNDERSIGNED OBTAIN NO ADVANTAGE BY ENTERING INTO THIS AGREEMENT.

Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Signature

Date

OPTION 2

**INVESTOR MEMBERS WHOSE CASH CONTRIBUTIONS MAY BE USED ONLY
UPON FULL CAPITALIZATION**

Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Name:

Date

COPY

OPTION 2

**INVESTOR MEMBERS WHOSE CASH CONTRIBUTIONS MAY BE USED ONLY
UPON FULL CAPITALIZATION**

Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Name:

Date

OPTION 3

INVESTOR MEMBERS WHOSE CONTRIBUTIONS ARE OTHER THAN CASH

THE FOLLOWING SIGN THE FOREGOING AGREEMENT AS INVESTOR MEMBERS, BUT IN LIEU OF A CASH CONTRIBUTION AGREE TO MAKE THEIR CONTRIBUTION BY GIVING, OR CAUSING TO BE GIVEN, THE FOLLOWING DESCRIBED BOND OR SECURITY DEPOSIT OR SERVICES OR OBLIGATION, UNDERTAKING OR OTHER IN-KIND CONTRIBUTION, OF A VALUE EQUAL TO THE FOLLOWING AMOUNT:

Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Signature

Date

COPY

OPTION 3

INVESTOR MEMBERS WHOSE CONTRIBUTIONS ARE OTHER THAN CASH

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Printed Name: _____

Social Security No.
and/or Employer I.D.#: _____

Home Address: _____

Home Telephone No.: _____

Business Address: _____

Business Telephone No.: _____

Amount to be Contributed: \$ _____

Signature

Date