

# OPERATING AGREEMENT

## SnS Hospitality Group LLC

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**Entity:** SnS Hospitality Group LLC    **EIN:** 42-4288652    **Type:** Multi-Member LLC (Indiana)

**Parent:** SnS Network Solutions Holdings LLC (EIN 42-4099038)

**State filed:** Indiana (INBiz, 08/06/2026)    **Effective date:** August 6, 2026

### 1. Formation and Purpose

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This Operating Agreement (the "Agreement") is entered into by the undersigned Members to govern the operations of **SnS Hospitality Group LLC** (the "Company"), a limited liability company organized under the Indiana Business Flexibility Act (Indiana Code § 23-18).

The Company is formed to own, operate, and manage **mobile and trailer-based food and beverage ventures** across Northwest Indiana and Southern Michigan. The first venture is "**The Daily Pour**" — a fleet of drive-through coffee trailers deployed to high-traffic locations.

The Members acknowledge that the Company's success depends on both **capital investment** (provided by Holdings) and **operational excellence, systems development, compliance management, and growth leadership** (provided by Kiowa). This Agreement is designed to fairly recognize and protect both forms of contribution.

## 2. Members and Ownership

| Member                                          | Interest                                                | Type                                                                                                                      |
|-------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|
| SnS Network Solutions Holdings LLC ("Holdings") | 75% minimum                                             | Capital + control                                                                                                         |
| Kiowa Scott ("Kiowa") — service                 | Up to 15% (guaranteed, earned over time)                | Vested through operational work                                                                                           |
| Kiowa Scott ("Kiowa") — investment              | Up to 10% (proportional to startup capital contributed) | Must invest at startup per venture. Formula: $(\text{contribution} \div \text{startup cost}) \times 100$ , capped at 10%. |

**Holdings never drops below 75%.** Kiowa's guaranteed path is 15% through service. An additional up to 10% is earned proportionally by investing working capital at startup — the more she contributes toward a venture's startup cost, the more investment equity she earns (capped at 10%). If she doesn't invest, the tranche may be offered to another investor at Holdings' discretion.

### 3. Management

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The Company shall be **Member-managed**. Holdings (represented by Samuel S. James) retains sole authority over all day-to-day operational decisions and capital deployment.

#### 3.1 Holdings' Authority (Samuel S. James)

- Capital expenditures and investment decisions
- Forming, acquiring, or dissolving ventures
- Opening and controlling bank accounts
- Approving new locations and expansion timing
- Hiring and removing the General Manager

#### 3.2 Kiowa's Role — Operations Director

Kiowa serves as **Operations Director** — a strategic and administrative leadership role. Her responsibilities:

- Compliance — permits, licenses, health department filings, renewals
- Site selection — finding and securing high-traffic lot locations
- SOPs — building standard operating procedures and systems for scale
- Grant sourcing — identifying, applying for, and securing grants/funding
- Growth planning — expansion strategy, new market evaluation
- Legal/admin — formation paperwork, regulatory filings, insurance coordination
- Recruiting Location Managers — finding the right people to run each trailer

#### 3.3 Location Manager (Per Trailer)

Each trailer is run by a **Location Manager** — the lead barista/operator who is empowered to handle day-to-day operations independently:

- Opening/closing the trailer
- Scheduling and managing their own support staff
- Vendor relationships and supply ordering
- Customer service and quality control
- Hiring part-time support for their location

The Location Manager runs their trailer. They are NOT managed by a General Manager — they report directly to Sam and Kiowa as co-founders.

### 3.4 Shared Founder Responsibility — Escalations

Sam and Kiowa **share responsibility** for issues the Location Manager cannot resolve on their own, including:

- Equipment failure (generator, espresso machine, refrigeration)
- Infrastructure issues (power outage, leaks, internet/network down)
- Lease/landlord disputes
- Major staffing issues (Location Manager quits, needs to be replaced)
- Any situation requiring capital expenditure or legal action

Either founder may handle an escalation. Neither founder is solely responsible for day-to-day store operations — that is the Location Manager's job.

### 3.5 Major Decisions Requiring Mutual Consent

The following decisions require the **written consent of both Members** (Holdings AND Kiowa), regardless of ownership percentage:

- Selling or merging the Company (or any material portion of its assets)
- Dissolving the Company
- Issuing new equity that would dilute any Member's **vested** interest
- Amending this Operating Agreement

All other business decisions remain under Holdings' authority per §3.1.

## 4. Equity Vesting — Service Grant (15%)

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Each venture Kiowa participates in earns her equity in the Hospitality Group:

| Grant              | Amount     | When                                                      |
|--------------------|------------|-----------------------------------------------------------|
| Formation grant    | 5%         | Vests immediately upon venture formation (Articles filed) |
| Service grant (Q1) | 2.5%       | 3 months from Opening Date                                |
| Service grant (Q2) | 2.5%       | 6 months from Opening Date                                |
| Service grant (Q3) | 2.5%       | 9 months from Opening Date                                |
| Service grant (Q4) | 2.5%       | 12 months from Opening Date                               |
| <b>Total</b>       | <b>15%</b> | Fully vested after 12 months of active service            |

- **Opening Date** = first day of revenue-generating operations
- Each venture has its own independent vesting schedule
- Total cumulative service equity is **capped at 15%**

## 5. Investment Equity (Up to 10%, Proportional)

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For each venture, Kiowa may earn up to an **additional 10% Membership Interest** by contributing working capital at startup. The investment equity is **proportional** to her contribution relative to the venture's total startup cost:

**Formula:** Investment Equity % = (Kiowa's capital contribution ÷ total venture startup cost) × 100, **capped at 10%.**

| Venture Startup Cost | Kiowa Invests | % of Startup | Investment Equity | + Service (12 mo) | Her Total  |
|----------------------|---------------|--------------|-------------------|-------------------|------------|
| \$50,000             | \$5,000       | 10%          | 10%               | 15%               | <b>25%</b> |
| \$50,000             | \$2,500       | 5%           | 5%                | 15%               | <b>20%</b> |
| \$50,000             | \$1,000       | 2%           | 2%                | 15%               | <b>17%</b> |
| \$50,000             | \$0           | 0%           | 0%                | 15%               | <b>15%</b> |

- **Timing:** Investment must be made **at startup** (before or at the Opening Date). No retroactive buy-in after operations begin.
- **Per venture:** Each trailer/venture has its own startup cost and its own investment opportunity. Investing in T-00 does not carry over to T-01.
- **Cap:** Investment equity is capped at 10% regardless of how much Kiowa contributes — she cannot buy more than 10% per venture.
- **Vests immediately:** Investment equity vests on the date funds are received by the Company. No time-based vesting.
- **Holdings minimum preserved:** Holdings never drops below 75%.
- **If Kiowa does not invest:** the investment tranche remains available to a third-party investor under the same proportional formula, at Holdings' discretion.

## 6. Grant Finder's Fee

If Kiowa identifies, applies for, and secures a **grant** (non-repayable funding — government, foundation, or private grant money) for any venture under the Hospitality Group:

- Kiowa receives **7.5% of the total grant amount** as a one-time lump sum
- Payment is due within **14 days** of the grant funds hitting the Company's bank account
- This fee is in addition to (not instead of) her equity and distributions
- "Grant" means money the Company does not have to repay — loans, lines of credit, and investor capital do not qualify

## 7. Departure Buyback (Before 10 Trailers)

**If Kiowa departs before all 10 Daily Pour trailers are operational** — she is required to sell her vested interest back to Holdings. The buyback price depends on how she leaves.

### 7.1 Tiered Buyback Pricing

| Departure Type                                                                                             | Buyback Price                |
|------------------------------------------------------------------------------------------------------------|------------------------------|
| <b>Good standing + 90-day transition</b> (helps onboard replacement, documents systems, hands off cleanly) | <b>100% of FMV</b>           |
| <b>Good standing, immediate departure</b> (no transition, but no misconduct)                               | <b>75% of FMV</b>            |
| <b>Abandonment</b> (no notice, 30+ days unresponsive, no communication)                                    | <b>50% of FMV</b>            |
| <b>For Cause</b> (fraud, theft, intentional misconduct — see §8)                                           | <b>\$0 — full forfeiture</b> |

**FMV definition:** Net asset value (total assets – total liabilities) × Kiowa's vested ownership percentage, as determined by the Company's most recent quarterly books. If disputed, an independent third-party valuation at shared cost.

**Payment terms:** Lump sum within 90 days of the departure date, or a 12-month installment plan at Holdings' election.

**Unvested portion:** Any unvested equity at the time of departure is forfeited automatically — reverts to Holdings at no cost, regardless of departure type.

## 7.2 Trigger Events

- Voluntary resignation from operational role
- Failure to fulfill responsibilities (per §7.3) after notice and cure period
- Removal for cause (see §8 — Forfeiture for Cause)
- Mutual written agreement to part ways

## 7.3 Performance Standards (Outcome-Based)

Instead of hourly commitments, Kiowa's performance is measured by outcomes:

- All permits and licenses are current (no lapses)
- All operational locations are staffed and open per schedule
- Quarterly financial reports delivered within 30 days of quarter-end
- Expansion milestones progressing per the agreed growth plan
- SOPs documented and maintained for each venture

If Kiowa is not meeting these outcomes, the following process applies:

1. **Written notice** from Holdings specifying the deficiency
2. **30-day cure period** for Kiowa to resolve the issue (where the issue is curable)
3. If not resolved → **30-day mediation** (both parties select a neutral mediator)
4. If mediation fails → **binding arbitration** in St. Joseph County, Indiana

Only after this process is exhausted may Holdings invoke the buyback. No buyback may be triggered on the basis of a performance issue without completing the notice + cure + mediation steps above.

## 8. Forfeiture for Cause

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**If Kiowa violates any law or is found to have misappropriated any terms of this Agreement, she forfeits ALL rights — including all vested and unvested equity — in the Company.**

### 8.1 Triggering Violations (Serious Misconduct Only)

Forfeiture for Cause is triggered **only** by intentional, serious misconduct:

- **Fraud or theft** — any act of fraud, embezzlement, or theft against the Company, its Members, employees, customers, or vendors
- **Misuse of company funds** — unauthorized withdrawals, personal use of business accounts, falsified expenses, or deliberate diversion of revenue
- **Misuse of company assets** — unauthorized sale or encumbrance of company property, equipment, or intellectual property
- **Intentional disclosure of private data** — deliberate unauthorized sharing of Social Security Numbers, EIN information, financial account details, trade secrets, or any information protected under the NDA
- **Criminal conduct** — conviction of or plea to any felony, or any misdemeanor involving dishonesty or fraud, in connection with her role
- **Intentional material breach** of this Agreement or the NDA

**What does NOT trigger forfeiture:** Performance issues, honest mistakes, negligence, circumstances outside Kiowa's control, or disagreements between Members. These are handled through the notice/cure/mediation process in §7.3, potentially leading to a buyback — not forfeiture.

### 8.2 Consequences of Forfeiture for Cause

- **All equity forfeited** — both vested and unvested Membership Interest reverts to Holdings immediately, at no cost to Holdings
- **Distributions cease** — Kiowa receives only distributions already earned and unpaid through the current quarter at the time of forfeiture. No future distributions.
- **Permanent removal** — Kiowa is permanently removed from the Company and all ventures under the Hospitality Group. No reinstatement.

- **No buyback payment** — unlike the §7 departure buyback, forfeiture for cause results in zero compensation for the forfeited equity
- **Additional remedies preserved** — forfeiture does not limit Holdings' right to pursue legal action for damages, injunctive relief, or criminal referral as applicable

### **8.3 Determination Process**

Holdings shall provide Kiowa **written notice** of the alleged violation, specifying the conduct at issue and the evidence supporting the claim. Kiowa has **15 calendar days** to respond in writing. If the parties cannot resolve the matter within 15 days of Kiowa's response, either party may submit the dispute to **binding arbitration** in St. Joseph County, Indiana, under Indiana law. Forfeiture does not take effect until either (a) Kiowa acknowledges the violation in writing, or (b) an arbitrator rules in Holdings' favor.

## 9. After 10 Trailers Are Complete

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**The mandatory buyback (\$7) expires.** The fleet is built. The deal is honored.

### 9.1 If She Keeps Working

Full equity, full distributions, full management authority. Business as usual.

### 9.2 If She Stops Working

- **Retains all vested equity** as a passive member (economic rights only)
- **Loses management authority** — no decisions, no signing power, no operational role
- **Dilution:** Holdings will hire a W-2 operations manager to replace her role. That salary is a company expense reducing distributable profit. Holdings may also issue new equity from its 75%+ position to incentivize the replacement, diluting Kiowa's percentage over time. She accepts this dilution as a consequence of stepping back.
- **No forced buyback** — she keeps what she earned

### 9.3 Right of First Refusal — Post-Completion Sale

If Kiowa decides to **sell** her vested interest after the 10 trailers are complete:

| Term                                          | Detail                                                                                                                                   |
|-----------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| Who buys first?                               | Holdings gets <b>first right to purchase</b>                                                                                             |
| Price (good standing, all ventures excelling) | <b>100% of FMV</b> — Holdings matches fair market value when all businesses are performing and the departure is amicable                 |
| Price (if any venture is declining)           | <b>85% of FMV</b> — reduced to reflect transition risk when performance is mixed                                                         |
| Decision window                               | 60 days from written notice                                                                                                              |
| If Holdings passes                            | Kiowa may sell to a third party — but the buyer must be <b>approved by Holdings</b> . No sale to any party Holdings does not consent to. |
| Third-party price floor                       | Kiowa cannot sell to a third party at a price lower than what Holdings was offered                                                       |
| Partial sales                                 | Same terms apply — Holdings' ROFR covers partial sales too                                                                               |

## 10. Distributions

- Distributions of available profit are made to Members **pro rata** in proportion to their vested Membership Interest
- The **formation grant (5%)** earns distributions from the Formation Date forward
- **Service tranches** earn distributions only once vested — unvested tranches do not participate
- Timing and amounts are determined by Holdings, subject to the Company's financial obligations and applicable law
- The Company may not make a distribution that would render it unable to pay its debts as they come due

## 11. Capital Contributions

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- **Holdings:** Provides all capital required for trailer acquisition, buildout, equipment, and initial operating expenses (~\$35,000 per unit). Capital calls are at Holdings' sole discretion.
- **Kiowa (service equity):** No capital contribution required. Her 15% is earned through operational work.
- **Kiowa (investment equity):** Up to 10% of the venture's total startup cost, contributed at startup. Earns proportional investment equity per \$5.

## 12. Bank Accounts, Books, and Records

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- The Company shall maintain **its own bank account(s)**, separate from Holdings' accounts, any Member's personal accounts, and any individual venture's accounts
- Accurate books and records shall be maintained and made available to all Members
- Quarterly financial reports (revenue, expenses, net profit, distributions) shall be provided to all Members within 30 days of quarter-end

## 13. Tax Treatment

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As a multi-member LLC, the Company is treated as a **partnership** for U.S. federal income tax purposes. Each Member reports their proportionate share of income/expense on their individual return via Schedule K-1. The Company will file Form 1065 annually.

- **Kiowa's service equity** is intended to qualify as a **profits interest** under Rev. Proc. 93-27 / 2001-43 (no taxable income on grant)
- **Section 83(b) election:** Kiowa should file within 30 days of each grant date. This is a hard IRS deadline with no extensions.
- **Fiscal year:** Calendar year (January 1 – December 31)

## 14. Confidentiality

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Kiowa's access to personal information, business data, trade secrets, and proprietary information is governed by a separate **Non-Disclosure Agreement**. The NDA applies regardless of Kiowa's membership status and survives termination of this Agreement. Violation of the NDA constitutes grounds for Forfeiture for Cause under §8.

## 15. Amendments

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This Agreement may be amended only by a **written instrument signed by all Members**. Amendments are effective on the date stated in the amendment.

## 16. Dissolution

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The Company shall continue in perpetuity unless dissolved by:

- The written consent of **both Members** (per §3.3); or
- Operation of Indiana law.

**Notice:** Holdings shall provide Kiowa a minimum of **90 days written notice** before any dissolution. Kiowa continues earning distributions through the notice period.

Upon dissolution, the Company's assets shall be applied first to creditors (including any Member, if owed), then distributed to the Members pro rata in proportion to their vested Membership Interests, after which Articles of Dissolution shall be filed with the Indiana Secretary of State.

## 17. Governing Law and Disputes

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This Agreement is governed by the laws of the **State of Indiana**. Any dispute arising under this Agreement that cannot be resolved by the Members within 30 days shall be submitted to binding arbitration in St. Joseph County, Indiana, under Indiana law.

## 18. Exit Scenarios — Summary

| Scenario                                                                 | Outcome                                                                |
|--------------------------------------------------------------------------|------------------------------------------------------------------------|
| Leaves before 10 trailers — <b>good standing + 90-day transition</b>     | Buyback at <b>100% of FMV</b> . Unvested forfeited.                    |
| Leaves before 10 trailers — <b>good standing, no transition</b>          | Buyback at <b>75% of FMV</b> . Unvested forfeited.                     |
| Leaves before 10 trailers — <b>abandonment</b>                           | Buyback at <b>50% of FMV</b> . Unvested forfeited.                     |
| <b>Forfeiture for Cause</b> (fraud/theft/intentional misconduct)         | ALL equity forfeited. \$0. Permanent removal.                          |
| Stays through 10 trailers, <b>keeps working</b>                          | Full equity, full distributions, full authority.                       |
| Stays through 10 trailers, <b>stops working</b>                          | Keeps equity (passive), loses authority, accepts dilution.             |
| Stays through 10 trailers, <b>wants to sell (all ventures excelling)</b> | Holdings buys at <b>100% FMV</b> . Must approve any third-party buyer. |
| Stays through 10 trailers, <b>wants to sell (any venture declining)</b>  | Holdings buys at <b>85% FMV</b> . Must approve any third-party buyer.  |

## 19. Definitions

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| Term                      | Meaning                                                                                                         |
|---------------------------|-----------------------------------------------------------------------------------------------------------------|
| "Company"                 | SnS Hospitality Group LLC                                                                                       |
| "Holdings"                | SnS Network Solutions Holdings LLC (sole member represented by Samuel S. James)                                 |
| "Kiowa"                   | Kiowa Scott                                                                                                     |
| "Formation Date"          | Date Articles of Organization filed with Indiana Secretary of State                                             |
| "Opening Date"            | Date the venture begins revenue-generating operations                                                           |
| "FMV" (Fair Market Value) | Net asset value (total assets – total liabilities) × Member's ownership percentage                              |
| "Grant"                   | Non-repayable funding (government, foundation, or private grant).<br>Loans and investor capital do not qualify. |
| "For Cause"               | Any triggering violation listed in §8.1                                                                         |

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## Execution

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The undersigned, being all of the Members of SnS Hospitality Group LLC, adopt and agree to this Operating Agreement as of the Effective Date first written above.

### **MEMBER — SnS Network Solutions Holdings LLC (75%+)**

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Signature

**Printed name:** Samuel S. James

**Title:** Sole Member, SnS Network Solutions Holdings LLC

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Date

### **MEMBER — Kiowa Scott (up to 25%)**

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Signature

**Printed name:** Kiowa Scott

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Date