

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly report under Section 13 or 15(d) of the Securities Exchange
Act of 1934

For The Quarterly Period Ended December 31, 1996

Commission File Nos. 0-9115 and 0-24494

MATTHEWS INTERNATIONAL CORPORATION
(Exact Name of registrant as specified in its charter)

PENNSYLVANIA 25-0644320
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

TWO NORTHSORE CENTER, PITTSBURGH, PA 15212-5851
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (412) 442-8200

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last
report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days.

Yes No

The number of shares outstanding of each of the issuer's classes of common
stock, as of the latest practicable date:

Class of Common Stock	Outstanding at January 31, 1997
Class A - \$1.00 par value	6,353,981 shares
Class B - \$1.00 par value	2,338,709 shares

PART I - FINANCIAL INFORMATION
MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET (UNAUDITED)

<TABLE>
<CAPTION>

	December 31, 1996		September 30, 1996	
	<C>	<C>	<C>	<C>
<S>				
ASSETS				
Current assets:				
Cash and cash equivalents		\$ 15,153,496		\$ 12,418,718
Short-term investments		3,061,761		3,079,084
Accounts and notes receivable, net		24,360,600		26,158,666
Inventories:				

Materials and finished goods	\$10,335,481	\$10,424,521
Labor and overhead in process	755,738	879,593
Supplies	588,719	669,080
	-----	-----
	11,679,938	11,973,194
Other current assets	1,861,726	2,130,556
	-----	-----
Total current assets	56,117,521	55,760,218
Investments	34,750,224	35,333,326
Property, plant and equipment: Cost	64,346,545	63,492,651
Less accumulated depreciation	(26,943,587)	(26,169,878)
	-----	-----
	37,402,958	37,322,773
Deferred income taxes and other assets	12,811,557	13,569,805
Goodwill	11,268,858	11,425,587
	-----	-----
Total assets	\$152,351,118	\$153,411,709

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Long-term debt, current maturities	191,109	270,092
Accounts payable	4,091,774	6,049,732
Accrued compensation	5,877,846	8,536,221
Accrued income taxes	3,413,812	963,886
Customer prepayments	3,168,478	3,069,904
Other current liabilities	4,757,079	6,021,095
	-----	-----
Total current liabilities	21,500,098	24,910,930

Long-term debt	-	-
Estimated finishing costs	2,985,613	2,954,299
Postretirement benefits	20,850,818	21,005,067
Other liabilities	2,119,518	2,082,370

Shareholders' equity:

Common stock: Class A, par value \$1.00	6,401,422	6,039,542
Class B, par value \$1.00	2,682,076	3,043,956
Other shareholders' equity	95,811,573	93,375,545
	-----	-----
	104,895,071	102,459,043

Total liabilities and shareholders' equity	\$152,351,118	\$153,411,709
--------------------------------------------	---------------	---------------

/TABLE

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

<TABLE>

<CAPTION>

	Three Months Ended December 31,	
	1996	1995
	-----	-----
<S>	<C>	<C>
Sales	\$ 42,582,795	\$ 41,185,350
Cost of sales	23,719,377	22,602,002
	-----	-----
Gross profit	18,863,418	18,583,348
Selling and administrative expenses	12,249,660	12,131,095
	-----	-----
Operating profit	6,613,758	6,452,253
Investment income	604,419	459,391
Interest expense	12,030	21,359

Other income (deductions), net	(95,804)	(54,766)
	-----	-----
Income before income taxes	7,110,343	6,835,519
Income taxes	2,805,935	2,589,530
	-----	-----
Net income	<u>\$ 4,304,408</u>	<u>\$ 4,245,989</u>
Earnings per share	<u>\$.49</u>	<u>\$.48</u>
Dividends per share	<u>\$.08</u>	<u>\$.07</u>
Weighted average number of common shares outstanding	<u>8,748,654</u>	<u>8,850,350</u>

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

	Three Months Ended December 31,	
	1996	1995
	----	----
	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 4,304,408	\$ 4,245,989
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,281,502	1,249,725
Deferred taxes	118,214	(197,098)
Net increase in certain working capital items	(587,306)	(3,403,944)
(Increase) decrease in other noncurrent assets	580,837	(159,652)
Increase in estimated finishing costs	31,314	133,758
Decrease in other liabilities	37,148	40,321
Increase (decrease) in postretirement benefits	(154,249)	224,277
Net loss on sale of property, plant and equipment	5,678	9,474
Net loss on investments	2,034	-
Effect of exchange rate changes on operations	74,946	(30,866)
	-----	-----
Net cash provided by operating activities	5,694,526	2,111,984
	-----	-----
Cash flows from investing activities:		
Acquisitions of property, plant and equipment	(1,366,500)	(1,304,795)
Proceeds from disposals of property, plant and equipment	3,920	3,931
Investments	(535,526)	(26,463,478)
Proceeds from disposition of investments	1,523,062	-
Collections on loans to officers and employees	132,155	485,883
	-----	-----
Net cash used in investing activities	(242,889)	(27,278,459)
	-----	-----
Cash flows from financing activities:		
Payments on long-term debt	(78,983)	(107,215)
Proceeds from the sale of treasury stock	-	-
Purchases of treasury stock	(1,858,231)	-
Dividends paid	(698,461)	(619,455)

Net cash used in financing activities	(2,635,675)	(726,670)
Effect of exchange rate changes on cash	(81,184)	(8,991)
Net increase (decrease) in cash and cash equivalents	\$ 2,734,778	\$(25,902,136)

Supplemental Cash Flow Information:

Cash paid during the period for:

Interest	\$ 12,030	\$ 21,359
Income Taxes	128,364	745,806

</TABLE>

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1996

Note 1. Nature of Operations

Matthews International Corporation, founded in 1850 and incorporated in Pennsylvania in 1902, is a designer, manufacturer and marketer principally of custom-made products which are used to identify people, places, products and events. The Company's products and operations are comprised of three business segments: Bronze, Graphic Systems and Marking Products. The Bronze segment is a leading manufacturer of cast bronze memorial products, crematories and cremation-related products. The Graphic Systems segment manufactures and provides custom identification-related products, pre-press services and imaging systems used by the corrugated and flexible packaging industries. The Marking Products segment designs, manufactures and distributes a wide range of equipment and consumables used by customers to mark or identify various consumer and industrial products, components and packaging containers. The Company has sales and manufacturing facilities in the United States, Canada, Australia and Sweden as well as sales and distribution operations in France and the United Kingdom.

Note 2. Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information for commercial and industrial companies and the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for fair presentation have been included. Operating results for the three-month period ended December 31, 1996 are not necessarily indicative of the results that may be expected for the fiscal year ending September 30, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended September 30, 1996.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3. Income Taxes

The income tax provision for the period is based on the effective tax rate expected to be applicable for the full year. The difference between the estimated effective tax rate of 39.5% and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes.

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, continued
DECEMBER 31, 1996

Note 4. Subsequent Event

On January 31, 1997, Matthews International Corporation acquired 50% of Tukaiz Litho, Inc. ("Tukaiz"), a Chicago-based pre-press and pre-media firm. The remaining 50% will continue to be owned by the existing president and chief executive officer of Tukaiz. The transaction was structured as an asset purchase with the purchase price consisting of \$4,000,000 cash and the assumption of a 50% interest in certain of the Company's liabilities. The parties have each agreed to contribute their respective 50% interests into a newly-formed Illinois limited liability company, Tukaiz Communications, L.L.C. Matthews also agreed to provide the new company with subordinated convertible debt of \$5.5 million. Matthews has accounted for this acquisition using the purchase method and, accordingly, has recorded the acquired assets and liabilities at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets was recorded as goodwill to be amortized on a straight-line basis over 25 years.

Note 5. Reclassifications

Certain amounts in the 1996 consolidated financial statements have been reclassified to conform to the current year presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

The following table sets forth certain income statement data of the Company expressed as a percentage of net sales for the periods indicated.

	Three months ended		Years ended		
	December 31,		September 30,		
	-----	-----	-----	-----	-----
	1996	1995	1996	1995	1994
	----	----	----	----	----
Sales	100.0%	100.0%	100.0%	100.0%	100.0%
Gross profit	44.3	45.1	44.6	44.8	45.1
Operating profit	15.5	15.7	15.6	14.7	15.1
Income before income taxes	16.7	16.6	19.5	15.0	14.9
Net income	10.1	10.3	11.8	9.3	8.8

Sales for the three months ended December 31, 1996 were \$42.6 million and were \$1.4 million, or 3.4%, higher than sales of \$41.2 million for the first three months of fiscal 1996. The increase for the first three months of fiscal 1997 reflected higher sales in the Company's Bronze segment. Bronze segment sales were up 18% over the fiscal 1996 first quarter, primarily reflecting higher volume of memorial products as well as sales by Industrial Equipment and Engineering Company, Inc. (IEEC) of crematories and cremation-related products. Fiscal 1997 revenues of IEEC, which was acquired in March 1996, also reflected sales of All Crematory Corporation, which was acquired in August 1996. Sales for the Bronze segment increased over the prior year despite the absence of Sunland Memorial Park, Inc. (the Company's only cemetery/mortuary facility) which was sold in January 1996. Graphic Systems segment sales for the three months ended December 31, 1996 were relatively unchanged from the same period a year ago as demand for this segment's products continues to be flat. Marking Products sales for the first quarter of fiscal 1997 declined approximately 20% from the first three months of fiscal 1996. The decline, which was expected, resulted from the sale of the Division's label printer application business in September 1996 and the Company's decision in September 1996 to liquidate its German subsidiary. The label printer application business had historically produced marginal results for the Company and the German subsidiary had accumulated significant losses during the past few years.

Gross profit for the three months ended December 31, 1996 was \$18.9 million, or 44.3% of sales, compared to \$18.6 million, or 45.1% of sales, for the first three months of fiscal 1996. The increase in gross profit of \$280,000, or 1.5%, was attributable principally to the Bronze segment. Bronze gross profit improved as a result of higher sales for the current period while gross profit as a percent of sales approximated the first quarter of last year. Gross profit and gross profit as a percent of sales for the Graphic Systems segment were slightly below the prior period. Gross profit for the Marking Products segment declined from the fiscal 1996 first quarter as a result of lower sales. Gross profit as a percent of sales for the segment was relatively consistent for the periods.

Selling and administrative expenses for the three months ended December 31, 1996 were \$12.2 million, representing an increase of \$119,000, or 1.0%, over \$12.1 million for the fiscal 1996 first quarter. Selling and administrative expenses for the Bronze segment increased over the first quarter of fiscal 1996 reflecting the additions of IEEC and All Crematory Corporation. These increases were offset by reductions in Marking Products selling and administrative costs with the disposition of the label printer application business and the liquidation of the German subsidiary.

Operating profit for the three months ended December 31, 1996 was \$6.6 million and was \$162,000, or 2.5%, higher than the first three months of fiscal 1996. Higher sales of the Bronze segment resulted in an increase in its operating profit which more than offset an operating profit decline in the Graphic Systems segment. Operating profit for the Marking Products segment was relatively unchanged from the prior period. However, the segment's operating profit percentage improved as a result of the disposition of the label printer application business and the liquidation of the German subsidiary. Operating profit of the Graphic Systems segment declined from the same period a year ago reflecting flat sales, slightly lower gross profit and increased selling and administrative costs. Consolidated operating profit for the first quarter of fiscal 1997 also reflected the favorable impact of changes to the retiree medical plan which were approved by the Board of Directors in September 1996. These changes, which provide additional plan options while limiting future Company contributions to retiree benefits, have reduced net periodic postretirement benefit cost from the prior year. The reduction was partially offset by costs associated with the Company's planned implementation of a 401(k) employee savings plan and related Company contributions.

Investment income for the first quarter of fiscal 1997 was \$604,000, compared to \$459,000 for the first quarter of fiscal 1996. The increase reflects the Company's higher cash and investment position during the current period and a higher rate of return as a result of a shift in the Company's investments in December 1995 to short-term and intermediate-term securities of the U.S. government and its agencies and corporate obligations. These investments are designed to improve the investment rate of return on the Company's excess cash position while maintaining a sufficient degree of liquidity for future cash needs.

Interest expense for the three months ended December 31, 1996 was approximately \$12,000, compared to \$21,000 for the first three months of fiscal 1996. Interest expense principally relates to the Company's capital lease obligations. Other income (deductions), net for the three months ended December 31, 1996 represented a net reduction to pre-tax income of \$96,000 compared to a net reduction of \$54,000 for the first three months of fiscal 1996.

The Company's effective tax rate for the first quarter of fiscal 1997 was 39.5%, compared to 39.6% for the year ended September 30, 1996. The difference between the Company's effective tax rate and the Federal statutory rate of 35% primarily reflects the impact of state and foreign income taxes.

Net cash provided by operating activities was \$5.7 million for the three months ended December 31, 1996, compared to \$2.1 million for the first three months of fiscal 1996. Operating cash flow was higher for the current period principally as a result of a decrease in consolidated inventory from September 30, 1996 compared to an increase in the prior period and lower income tax payments during the fiscal 1997 first quarter. Operating cash flow for both periods reflected the payment of year-end compensation and profit distribution accruals.

Cash used in investing activities was approximately \$243,000 for the three months ended December 31, 1996 compared to \$27.3 million for the same period a year ago. Investing activities for the fiscal 1997 first quarter primarily reflected capital expenditures of \$1.4 million and net proceeds from the disposition of investments of \$1.5 million. Investing activities for the three months ended December 31, 1995 included capital expenditures of \$1.3 million and investments of \$26.5 million in short-term and intermediate-term securities of the U.S. government and its agencies and corporate obligations. The Company's investment strategies are designed to improve the investment rate of return on the Company's excess cash position while maintaining a sufficient degree of liquidity for future cash needs. Capital spending for property, plant and equipment has averaged approximately \$5.1 million for the last three fiscal years. The capital budget of the Company for fiscal 1997 is \$8.8 million. The Company expects to generate sufficient cash from operations to fund all anticipated capital spending projects.

Cash used in financing activities for the three months ended December 31, 1996 was \$2.6 million consisting of treasury stock purchases, the Company's quarterly dividend of \$.08 per share and repayments under the Company's capital lease agreements. Cash used in financing activities in the first three months of fiscal 1996 was \$727,000 consisting of dividends and capital lease payments. Dividends for the fiscal 1996 first quarter were \$.07 per share. The Company currently has available lines of credit of approximately \$11 million. There were no outstanding borrowings on any of the Company's lines of credit at December 31, 1996.

At December 31, 1996 and September 30, 1996 and 1995, the Company's current ratio was 2.6, 2.2 and 3.5, respectively. The Company had cash and cash equivalents at December 31, 1996 and September 30, 1996 of \$15.2 million and \$12.4 million, respectively. Net working capital at December 31, 1996 was \$34.6 million. The Company believes that its current liquidity sources, combined with its operating cash flow and additional borrowing capacity, will be sufficient to meet its capital needs for the next 12 months.

Subsequent Event

On January 31, 1997, Matthews International Corporation acquired 50% of Tukaiz Litho, Inc. ("Tukaiz"), a leading Chicago-based pre-press and pre-media firm. A pre-press firm prepares art or digital files for printing or reproduction. The remaining 50% will continue to be owned by the existing president and chief executive officer of Tukaiz. The transaction was structured as an asset purchase with the purchase price consisting of \$4,000,000 cash and the assumption of a 50% interest in certain of the Company's liabilities. The parties have each agreed to contribute their respective 50% interests into a newly-formed Illinois limited liability company, Tukaiz Communications, L.L.C. Matthews also agreed to provide the new company with subordinated convertible debt of \$5.5 million. Matthews has accounted for this acquisition using the purchase method and, accordingly, has recorded the acquired assets and

liabilities at their estimated fair values at the date of acquisition. The excess of the purchase price over the fair value of the net assets was recorded as goodwill to be amortized on a straight-line basis over 25 years.

Tukaiz has annual sales of approximately \$16.5 million and is headquartered in Franklin Park, Illinois. The combination of the Company's Graphic Systems business and Tukaiz is designed to create a leader in the graphics industry, providing a unique array of pre-press and pre-media services to ad agencies, manufacturers, printers and publishers. These services include creative design, audio, video, animation, multimedia, digital photography, web site service and on-demand digital printing.

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following Exhibits to this report are filed herewith:

Exhibit No.	Description
-----	-----
10.1	Asset Purchase Agreement among TKZ Holding Corp., Tukaiz Litho, Inc. and Michael Vitallo
10.2	Membership Interest Agreement among TKZ Holding Corp., Tukaiz Litho, Inc., Frank Defino, Sr. and Tukaiz Communications, L.L.C.
10.3	Subordinated Convertible Note from Tukaiz Communications, L.L.C. in favor of Venetian Investment Corporation.
10.4	Operating Agreement of Tukaiz Communications, L.L.C. between TKZ Holding Corp. and Tukaiz Litho, Inc.
11	Computation of Earnings Per Share
27	Financial Data Schedule (via EDGAR)

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MATTHEWS INTERNATIONAL CORPORATION
(Registrant)

Date 2/11/97

D.M. Kelly

D.M. Kelly, Chairman of the Board,
President and Chief Executive Officer

Date 2/11/97

E.J. Boyle

E. J. Boyle, Vice President, Accounting &
Finance - Secretary and Treasurer

EXHIBIT 10.4

TUKAIZ COMMUNICATIONS, L.L.C.
OPERATING AGREEMENT
January 31, 1997

TABLE OF CONTENTS

	Page	
ARTICLE I	DEFINITIONS	1
ARTICLE II	FORMATION OF COMPANY; MEMBERSHIP INTERESTS	4
2.1	Formation	4
2.2	Name	4
2.3	Principal Place of Business	4
2.4	Registered Office and Registered Agent	4
2.5	Term	5
2.6	Certificates of Membership Interests	5
2.7	Certificates	5
2.8	Transfer of Certificates	5
2.9	Lost, Stolen, Destroyed or Mutilated Certificates	5
2.10	Regulations Relating to Shares	6
2.11	Transfer of Certificates	6
ARTICLE III	BUSINESS OF COMPANY	6
3.1	Permitted Businesses	6
ARTICLE IV	NAMES AND ADDRESSES OF MEMBERS	6
ARTICLE V	RIGHTS AND DUTIES OF BOARD OF MANAGERS	7
5.1	Management	7
5.2	Number, Election, Tenure and Qualifications	7
5.3	Manner of Acting	8
5.4	Certain Powers of Managers	8
5.5	Managers Have No Exclusive Duty to Company	10
5.6	Bank Accounts	10
	Page	
5.7	Resignation	10
5.8	Removal	10
5.9	Vacancies	10

ARTICLE VI OFFICERS	11	
6.1 Officers of Company	11	
6.2 Election and Term of Office	11	
6.3 Removal	11	
6.4 Vacancies	11	
6.5 Chairman	11	
6.6 President	12	
6.7 The Vice Presidents	13	
6.8 The Treasurer	13	
6.9 The Secretary	13	
6.10 Assistant Treasurers and Assistant Secretaries	14	
6.11 Salaries	14	
ARTICLE VII MEETINGS OF MEMBERS		14
7.1 Meetings	14	
7.2 Place of Meetings	14	
7.3 Notice of Meeting	15	
7.5 Record Date	15	
7.6 Quorum	15	
7.7 Manner of Acting	15	
7.8 Proxies	16	
7.9 Action by Members Without a Meeting	16	
7.10 Waiver of Notice	16	
		Page
ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES	16	
8.1 Standard of Care	16	
8.2 Indemnification of Managers, Officers and Employees	17	
ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS		17
9.1 Limitation of Liability	17	
9.2 List of Members	17	
9.3 Company Books	17	
9.4 Priority and Return of Capital	18	
ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS		18
10.1 Initial Capital Contributions	18	
10.2 Additional Capital Contributions	18	
10.3 Capital Accounts	18	

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS 20

11.1	Allocations of Net Profits and Net Losses	20
11.2	Special Allocations to Capital Accounts	20
11.3	Distributions	23
11.4	Accounting Principles	24
11.5	Interest on and Return of Capital Contributions	24
11.6	Loans to Company	24
11.7	Accounting Period	24
11.8	Records and Reports	24
11.9	Returns and Other Elections	24
11.10	Tax Matters Partner	25

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY 25

12.01	Restriction on Transfer of Membership Interests	25
	Page	
12.02	Voluntary Sales	25
12.04	Sale of Membership Interests Upon Death	27
12.5	Effectiveness of Transfer	28

ARTICLE XIII ADDITIONAL MEMBERS 28

13.1	Admission of New Members	28
13.2	Allocations to New Members	28

ARTICLE XIV DISSOLUTION AND TERMINATION 28

14.1	Dissolution	28
14.2	Winding Up	29
14.3	Distribution of Assets Upon Winding Up	29
14.4	Articles of Dissolution	29

ARTICLE XV MISCELLANEOUS PROVISIONS 30

15.1	Notices	30
15.2	Application of Illinois Law	30
15.3	Waiver of Action for Partition	30
15.4	Amendment	30
15.5	Execution of Additional Instruments	30
15.6	Construction	30
15.7	Headings	31
15.8	Waivers	31

15.9	Rights and Remedies Cumulative	31
15.10	Severability	31
15.11	Heirs, Successors and Assigns	31
15.12	Creditors	31
15.13	Counterparts	31
15.14	Investment Representations	33

OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made and entered into this 31st day of January, 1997, among TKZ HOLDING CORP. ("TKZ") and TUKAIZ LITHO, INC. ("Tukaiz") (together, the "Members").

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

- (a) The Articles shall mean the Articles of Organization of the Company as filed by the organizer of the Company with the Illinois Secretary of State, as the same may be amended from time to time.
- (b) "Board of Managers" has the meaning set out in Section 5.1.
- (c) "Capital Account" as of any given date shall mean the Capital Contributions to the Company by a Member as adjusted up to the date in question pursuant to Article X.
- (d) "Capital Contribution" shall mean any contribution to the capital of the Company in cash or property by a Member whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.
- (f) "Company" shall refer to Tukaiz Communications, L.L.C.
- (g) "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the debit to such Capital Account for the items described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) and (6). This definition of Deficit Capital Account is intended to comply with the provision of Treasury Regulations 1.704-1(b)(2)(ii)(d), and will be interpreted consistently with those provisions.
- (h) "Illinois Act" shall mean the Illinois Limited Liability Company Act at 805 Ill. Comp. Stat. 180/1-1, et seq. as the same may be amended from time to time.
- (i) "Distributable Cash" shall mean all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred in the normal operation of the Company's business; and (iii) such reserves as the Managers or their designees deem reasonably necessary for the proper operation of the Company's business.
- (j) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, foreign trust or foreign business organization.
- (k) "Fiscal Year" shall mean the Company's fiscal year, which shall end on September 30 each year.

- (l) "Majority Interest" shall mean the affirmative vote of Members holding more than fifty percent (50%) of the aggregate Percentage Interests in the Company.
- (m) "Manager" shall mean one or more members of the Board of Managers of the Company. References to the Managers in the singular or as him, her, it, itself or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- (n) "Member" shall mean, in connection with the formation of the Company, each of the parties who executes a counterpart of this Operating Agreement as a Member and, after the formation of the Company, each of the parties who may be admitted as a Member in accordance with Section 13.1 of this Operating Agreement.
- (o) "Membership Interest" shall mean a Member's entire interest in the Company, including the right to participate in the management of the business and affairs of the Company, including the right to vote on, consent to, or otherwise participate in any decision or action of or by the Members granted pursuant to this Operating Agreement and the Illinois Act.
- (p) "Membership Interest Agreement" shall mean the Membership Interest Agreement dated as of January 22, 1997 among TKZ, Tukaiz, Frank Defino, Sr. and the Company, as the same may be amended from time to time.
- (q) "Net Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.
- (r) "Net Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.
- (s) "Reserves" shall mean funds set aside or amounts allocated to reserves which shall be maintained in amounts deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.
- (t) "Offered Membership Interests" has the meaning set forth in Section 12.2(a).
- (u) "Offering Member" has the meaning set forth in Section 12.2(a).
- (v) "Resignation" has the meaning set out in Section 9.5(a).
- (w) "Operating Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.
- (x) "Percentage Interest" shall mean for any Member, the percentage of Membership Interest in the Company as set forth on Exhibit A, as the same may be changed from time to time upon the acquisition or disposition of Membership Interests, the redemption of Membership Interests, or the addition or deletion of Members.
- (y) "Person" shall mean any individual or entity, and their heirs, executors, administrators, legal representatives, successors and assigns where the context so permits.
- (z) "Transferring Member" shall mean (i) any Member who sells, assigns, pledges, hypothecates, transfers, exchanges or otherwise transfers for consideration all or any portion of his Membership Interest or (ii) any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of his Membership Interest.
- (aa) "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate and the corresponding sections of any regulations subsequently

issued that amend or supersede such regulations.

Capitalized terms used herein and not defined herein shall have the respective meanings given to those terms in the Membership Interest Agreement.

ARTICLE II FORMATION OF COMPANY; MEMBERSHIP INTERESTS

2.1 Formation. Tukaiz Communications, L.L.C. has been organized as an Illinois limited liability company by executing and delivering the Articles to the Illinois Secretary of State in accordance with and pursuant to the Illinois Act.

2.2 Name. The name of the Company is Tukaiz Communications, L.L.C.

2.3 Principal Place of Business. The principal place of business of the Company shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131. The Company may locate its place of business at any other place or places as the Board of Managers may deem advisable.

2.4 Registered Office and Registered Agent. The company's initial registered office shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131 and the name of its initial registered agent shall be Frank Defino, Sr..

2.5 Term. The term of the Company shall be fifty (50) years from and after the date of the formation of the Company in accordance with and pursuant to the Illinois Act, unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Illinois Act.

2.6 Certificates of Membership Interests. The Board of Managers of the Company may make such rules and regulations as they may deem appropriate concerning the issuance and registration of Membership Interests in the Company. The Board of Managers may authorize the issuance of any Membership Interest without certificates. Such authorization shall not affect Membership Interests already represented by certificates until they are surrendered to the Company.

2.7 Certificates. If the Board of Managers authorizes the issuance of certificates, such certificate or certificates shall be in such form as the Board of Managers may from time to time prescribe, and signed (in facsimile or otherwise as permitted by law) by the President or a Vice President and the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, which shall represent the number of Membership Interests owned by such holder. The Board may authorize the issuance of certificates for fractional shares or, in lieu thereof, scrip or other evidence of ownership, which may (or may not) as determined by the Board entitle the holder thereof to voting, dividends or other rights of Members.

2.8 Transfer of Certificates. If the Board of Managers authorizes the issuance of certificates, transfers of Membership Interests of the Company shall be made on the books of the Company only upon surrender to the Company of the certificate or certificates for such Membership Interests properly endorsed by the holder or by his assignee, agent or legal representative, who shall furnish proper evidence of assignment, authority or legal succession, or by the agent of one of the foregoing thereunto duly authorized by an instrument duly executed and filed with the Company, in accordance with regular commercial practice.

2.9 Lost, Stolen, Destroyed or Mutilated Certificates. New certificates for Membership Interests may be issued to replace certificates lost, stolen, destroyed or mutilated upon such conditions as the Board of Managers may from time to time determine.

2.10 Regulations Relating to Membership Interests. The Board of Managers shall have power and authority to make all such rules and regulations not inconsistent with the Operating Agreement as it may deem expedient concerning the issue, transfer and registration of certificates representing Membership Interests of the Company.

2.11 Holders of Record. The Company shall be entitled to treat the holder of record of any Membership Interests of the Company as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interests on the part of any other person, whether or not it shall have express or other notice

thereof, except as otherwise expressly provided by law.

ARTICLE III
BUSINESS OF COMPANY

3.1 Permitted Businesses. The business of the Company shall be to:

(a) engage in the business of digital prepress serving premedia, including multimedia, digital photography, web site service and on-demand digital printing; and

(b) to carry on any other lawful business or activity in connection with the foregoing or otherwise, and to have and exercise all of the powers, rights and privileges which a limited liability company organized pursuant to the Illinois Act may have and exercise.

ARTICLE IV
NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the initial Members are as follows:

NAME	ADDRESS
TKZ Holding Corp.	c/o Matthews International Corporation Two NorthShore Center Pittsburgh, PA 15212 Attn.: President
Tukaiz Litho, Inc.	c/o Frank Defino, Sr. 2917 N. Latoria Lane Franklin Park, IL 60131

ARTICLE V
RIGHTS AND DUTIES OF BOARD OF MANAGERS

5.1 Management. The business and affairs of the Company shall be managed by its "Board of Managers". The Board of Managers shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business and objectives. No one Manager may take or effect any action on behalf of the Company or otherwise bind the Company in the absence of a formal delegation of authority by the Board of Managers to such Manager. Unless authorized to do so by this Operating Agreement or by the Managers of the Company, no Member, officer, employee, attorney-in fact or other agent shall have any power or authority to bind the Company.

5.2 Number, Election, Tenure and Qualifications. The number of Managers which shall constitute the first Board of Managers shall be two (2). Thereafter, the number of Managers of the Company shall be fixed from time to time by the Members owning a Majority Interest, or as otherwise provided in the Membership Interest Agreement. In no instance shall there be less than one (1) Manager. Managers shall be elected by the vote of a Majority Interest of the Members. Each Manager shall hold office until his successor shall have been elected and qualified. Managers need not be Members of the Company.

5.3 Regular Meetings; Notice. Regular meetings of the Board of Managers shall be held at such time and place as shall be designated by the Board of Managers from time to time. Notice of such regular meetings shall not be required, except as otherwise expressly required herein or by law, and except that whenever the time or place of regular meetings shall be initially fixed and then changed, notice of such action shall be given promptly by telephone or otherwise to each Manager not participating in such action. Any business may be transacted at any regular meeting.

5.4 Special Meetings; Notice. Special meetings of the Board of Managers may be called at any time by the Board itself, or by the chairman or the president, or by at least one-fourth of the Managers, to be held at such place and day and hour as shall be specified by the person or persons calling the meeting. Notice of every special meeting of the Board of Managers shall be given by the Secretary to each Manager at least two days before the meeting. Any business may be transacted at any special meeting regardless of whether the notice calling such meeting contains a reference thereto, except as

otherwise required by law.

5.5 Manner of Acting. The Board of Managers shall meet at least once each calendar year. The Managers may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of Managers. If no designation is made, the place of meeting shall be the principal place of business of the Company. A majority of the Board of Managers shall constitute a quorum at meetings of the Board of Managers. If a quorum is present, the affirmative vote of a majority of those in attendance shall constitute the act of the Board of Managers, unless the vote of Members is otherwise required by this Operating Agreement, the Illinois Act or the Articles. Any Manager may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by means of such equipment shall constitute presence in person at such meeting. Action may be taken without a meeting if the action is evidenced by one or more written consents signed by each Manager.

5.6 Presumption of Assent. Minutes of each meeting of the Board shall be made available to each Manager at or before the next succeeding meeting. Each Manager shall be presumed to have assented to such minutes unless his objection thereto shall be made to the Secretary at or within two days after such succeeding meeting.

5.7 Certain Powers of Managers. Without limiting the generality of Section 5.1, the Board of Managers (as a whole) shall have power and authority (and no individual Manager shall alone have such power and authority; provided that this shall not prevent a person who is both a Manager and an officer from acting as an officer hereunder), after due action, on behalf of the Company:

- (a) to acquire property from any Person as the Managers may determine, whether or not such Person is directly or indirectly affiliated or connected with any Manager or Member;
- (b) to borrow money for the Company on such terms as the Managers deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Managers, or to the extent permitted herein, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Managers;
- (c) to purchase liability and other insurance to protect the Company's property and business;
- (d) to hold and own Company real and personal properties in the name of the Company;
- (e) to invest Company funds;
- (f) to execute on behalf of the Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments, bills of sale; leases; and any other instruments or documents necessary to the business of the Company;
- (g) to employ accountants, legal counsel, agents or other experts to perform services for the Company;
- (h) to enter into any and all other agreements on behalf of the Company, in such forms as the Managers may approve;
- (i) to appoint such agents, officers and delegates as may be necessary or appropriate to the conduct of the business; and
- (j) to do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

5.8 Managers Have No Exclusive Duty to Company. A Manager shall not be required to manage the Company as his or her sole and exclusive function and he or she may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company, a Member nor any other Manager shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of

the Manager or in the income or proceeds derived therefrom.

5.9 Bank Accounts. The Board of Managers may from time to time authorize the opening of bank accounts in the name and on behalf of the Company and the Managers shall determine who shall have the signatory power over such accounts.

5.10 Resignation. Any Manager of the Company may resign at any time by giving written notice to the Members of the Company and the other Managers of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later date specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.11 Removal. All or any lesser number of Managers may be removed at any time, with or without cause, by the Members owning a Majority Interest. The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.12 Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company may be filled by the Members owning a Majority Interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the Members at a meeting of Members called for that purpose or by the Members' unanimous written consent. A Manager elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and shall hold office until the expiration of such term and until his successor shall be elected and qualified or until his earlier death, resignation or removal. A Manager chosen to fill a position resulting from an increase in the number of the Board of Managers shall hold office until his successor shall be elected and qualified, or until his earlier death, resignation or removal.

ARTICLE VI OFFICERS

6.1 Officers of the Company. The Company shall have officers consisting of a chairman, a president, a treasurer and a secretary, and such vice presidents, assistant vice presidents, assistant treasurers, assistant secretaries or other officers or agents as may be elected and appointed by the Board of Managers. Any two or more offices may be held by the same person. The officers shall act in the name of the Company and shall supervise its operation under the direction and management of the Board of Managers, as further described below.

6.2 Election and Term of Office. The officers of the Company shall be elected annually by the Board of Managers. Vacancies may be filled or new offices created and filled at any meeting of the Board of Managers. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

6.3 Removal. Any officer or agent may be removed by the Board of Managers whenever in their judgment the best interests of the Company would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

6.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Managers for the unexpired portion of the term.

6.5 Chairman. If there shall be a chairman, he or she shall be elected from among the Managers, shall preside at all meetings of the Members and of the Board or provided herein, and shall have such other powers and duties as from time to time may be prescribed by the Board.

6.6 President. The president shall be the chief executive officer of the Company and shall be in general and active charge of the entire business and all the affairs of the Company and shall have the powers and perform the duties incident to that position, including the power to bind the Company in accordance with this Section 6.6. He or she shall have such other powers and

perform such duties as are specified in this Operating Agreement, including those items set forth in Section 5.7 hereof, and as may from time to time be assigned to him or her by the Board of Managers of the Company.

The president shall have general and active management of the business of the Company and shall see that all orders and resolutions of the Board of Managers of the Company are carried into effect. The president may execute bonds, mortgages and other contracts (whenever requiring a seal, under the seal of the Company), except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Managers of the Company to some other officer or agent of the Company. The president shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Company, and such decision as to any matter affecting the Company shall be final and binding as between the officers of the Company subject only to the Board of Managers of the Company.

Notwithstanding the foregoing or the provisions of Section 5.7 hereof, without the prior consent and authorization of the Board of Managers, neither the president nor any other officer of the Company have the power or authority to, and none of them shall, enter into any of the following transactions:

- (i) the sale, purchase or lease of any capital assets for an aggregate amount in excess of \$100,000;
- (ii) the sale or purchase of any fixed assets, business or product line for an aggregate amount in excess of \$100,000;
- (iii) any other contract, including a sales contract, supply contract or employment agreement, for an aggregate amount in excess of \$100,000; and
- (iv) the incurrence of indebtedness for borrowed money by the Company or the pledging or permitting of any liens on the assets of the Company in connection therewith, for an amount in excess of \$100,000.

6.7 The Vice Presidents. In the absence of (or at the request of) the chairman, president or in the event of his or her inability or refusal to act, a vice president (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned to him by the chairman, president or by the Board of Managers of the Company.

6.8 The Treasurer. The treasurer may be the chief financial officer of the Company. The treasurer shall not be required to give a bond for the faithful discharge of his or her duties. He or she shall: (i) have charge and custody of and be responsible for all funds and securities of the Company; (ii) be charged with primary responsibility for dealing with National Securities Exchanges or other exchanges in which the Company may hold a membership or on which the Company may trade; (iii) 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 banks, trust companies or other depositories as shall be selected by the Board of Managers of the Company; and (iv) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the Board of Managers of the Company.

6.9 The Secretary. The secretary shall: (a) keep the minutes of the Board of Managers' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Operating Agreement or as required by law; (c) be custodian of Company records; (d) keep a register of the post office address of each Member which shall be furnished to the secretary by such Member; (e) sign with the chairman, the president or a vice president (as designated by the chairman), any certificates for Membership Interests, the issue of which shall have been authorized by resolution of the Board of Managers; (f) certify the resolutions of the Board of Managers and other documents to the Company as true and correct thereof; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chairman, president, a vice president (as designated by the chairman) or by the Members of the Company.

6.10 Assistant Treasurers and Assistant Secretaries. The assistant

treasurers shall respectively, if required by the Board of Managers of the Company, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Managers of the Company shall determine. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the chairman, the president or the Board of Managers of the Company. Each officer of the Company by virtue of his or her office shall be an Assistant Secretary.

6.11 Salaries. The salaries and other compensation of the officers and other employees of the Company shall be fixed from time to time by the Board of Managers, and no officer or employee shall be prevented from receiving such salary by reason of the fact that he is also a Manager or Member of the Company.

6.12 Delegation of Duties. The Board of Managers may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select.

ARTICLE VII MEETINGS OF MEMBERS

7.1 Meetings. Meetings of the Members, for any purpose or purposes, may be called by any Member or Members owning at least twenty-five percent (25%) of the aggregate Percentage Interests in the Company or by any Manager.

7.2 Place of Meetings. The Members may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of the Members. If no designation is made, the place of meeting shall be the principal place of business of the Company.

7.3 Notice of Meeting. Except as provided in Section 7.4, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five (5) nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Managers or Member or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at his address as it appears on the books of the Company, with postage thereon prepaid.

7.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other Purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.5 Quorum. Members owning a Majority Interest, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Percentage Interests so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Percentage Interests whose absence would cause less than a quorum.

7.6 Manner of Acting. If a quorum is present, the affirmative vote of Members owning a Majority Interest present in person or represented by proxy shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Illinois Act, by the Articles or by this Operating Agreement.

7.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managers of the Company

before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

7.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and delivered to the Managers of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

7.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES

8.1 Standard of Care. No Manager or officer shall be liable to any Member or to the Company by reason of the actions of such person in the conduct of the business of the Company except for fraud, gross negligence or willful misconduct, and if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

8.2 Indemnification of Managers, Officers and Employees. The Company shall, to the fullest extent to which it is empowered to do so by the Illinois Act or any other applicable law, indemnify and make advances for expenses to any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Manager, officer or employee of the Company, against losses, damages, expenses (including attorneys' fees), judgments, fines and amounts reasonably incurred by him in connection with such action, suit or proceeding.

ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS

9.1 Limitation of Liability.

A Member will not be personally liable to creditors of the Company for any debts, obligations, liabilities or losses of the Company, whether arising in contract, tort or otherwise, beyond such Member's Capital Contributions.

9.2 List of Members. Upon written request of any Member, the Managers shall provide a list showing the names, addresses and Membership Interests of all Members.

9.3 Company Books. In accordance with Section 11.8 herein, the Board of Managers shall maintain and preserve, during the term of the Company, all accounts, books and other relevant Company documents. Upon reasonable written request, each Member and his duly authorized representative shall have the right, during ordinary business hours as reasonably determined by the Board of Managers, to inspect and copy such Company documents (at the requesting Member's expense) which the Managers, in their discretion, deem appropriate for any purpose reasonably related to the requesting Member's Membership Interest.

9.4 Priority and Return of Capital. Except as may be expressly provided in Article XI, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to the repayment by the Company of loans (as distinguished from Capital Contributions) which a Member has made to the Company.

9.5 Resignation. No Member shall have the right to voluntarily resign as a Member of the Company prior to the dissolution and winding up of the Company, except in connection with the Put/Call Exercise under the Membership Interest Agreement, and any resignation other than in such connection (a "Resignation")

by a Member shall constitute a breach of this Operating Agreement and subject the Member submitting such Resignation to damages for breach of this Operating Agreement by such Member.

ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

10.1 Initial Capital Contributions. Each Member shall contribute such amount set forth on Exhibit A as its Initial Capital Contribution.

10.2 Additional Capital Contributions. No Member shall be required to make any additional Capital Contributions. To the extent approved by Members owning a Majority Interest, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire.

10.3 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by the Member to the Company; (2) the fair market value of property contributed by the Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations of Net Profits and Net Losses; and (4) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to the Member by the Company; (2) the fair market value of property distributed to the Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(b) of the Code; and (4) allocations to the account of such Member losses and deductions as set forth in such Treasury Regulations, taking into account adjustments to reflect book value.

(b) In the event of a permitted sale or exchange of a Membership Interest in the Company pursuant to Article XII hereof, the Capital Account of the Transferring Member shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest in accordance with Treasury Regulations 1.704-1(b)(2)(iv).

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 10.3 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the Company determines that the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 10.3 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 10.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members as set forth in this Operating Agreement.

(d) Except as otherwise required in the Illinois Act (and subject to Sections 10.1 and 10.2), no Member shall have any liability to restore all or any deficit balance in such Member's Capital Account.

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS

11.1 Allocations of Net Profits and Net Losses. The Net Profits and Net Losses of the Company shall be allocated as follows:

(a) Net Profit. The Net Profits for a fiscal year or other period of the Company shall be allocated to the Members in Accordance with their respective Membership Interests.

(b) Net Losses. The Net Losses, if any, for a fiscal year or other period of the Company shall be allocated in the Members in accordance with their respective Membership Interests.

11.2 Special Allocations to Capital Accounts. Notwithstanding Section 11.1 hereof:

(a) No allocations of loss, deduction and/or expenditures described in Section 705(a)(2)(B) of the Code shall be charged to the Capital Account of any Member if such allocation would cause such Member to have a Deficit Capital Account. The amount of the loss, deduction and/or Section 705(a)(2)(B) of the Code expenditure which would have caused a Member to have a Deficit Capital Account shall instead be charged to the Capital Account of any Members which would not have a Deficit Capital Account as a result of the allocation, in proportion to their respective Capital Contributions, or, if no such Members exist, then to the Members in accordance with their interests in Company Net Profits pursuant to Section 11.1.

(b) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially credited to the Capital Account of such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 11.2(b) be interpreted to comply with the alternate test for economic effect set forth in Treasury Regulations 1.704-1(b)(2)(ii)(d).

(c) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Treasury Regulations 1.704-1(b)(2)(ii)(c) and such Member's share of minimum gain as defined in Treasury Regulations 1.704-2(g)(l) (which is also treated as an obligation to restore in accordance with Treasury Regulations 1.704-1(b)(2)(ii)(d)), the Capital Account of such Member shall be specially credited with items of Membership income (including gross income) and gain in the amount of such excess as quickly as possible.

(d) Notwithstanding any other provision of this Section 11.2, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulations 1.704-2(d) during a taxable year of the Company, then, the Capital Account of each Member shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 11.2(d) is intended to comply with the minimum gain chargeback requirement of Treasury Regulations 1.704-2 and shall be interpreted consistently therewith.

(e) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) of the Code which are attributable to any nonrecourse debt of the Company and are characterized as partner nonrecourse deductions under Treasury Regulations 1.704-2(i) shall be allocated to the Members' Capital Accounts in accordance with Treasury Regulations 1.704-2(i).

(f) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Treasury Regulations 1.704-2(b)), such deductions shall be allocated to the Members in accordance with, and as part of, the allocations of Company profit or loss for such period.

(g) In accordance with Section 704(c) of the Code, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income 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 and its fair market value at the time of contribution.

(h) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five (5) years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Member shall be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(i) In connection with a Capital Contribution of money or other property (other than a de minimis amount) by a new or existing Member, or in connection

with the liquidation of the Company, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property (including intangible assets) in accordance with Treasury Regulations 1.704-1(b)(2)(iv)(f). If, under Treasury Regulations 1.704-1(b)(2)(iv)(f), Company property that has been revalued is properly reflected in the Capital Accounts and on the books of the Company at a book value that differs from the adjusted tax basis of such property, then depreciation, depletion, amortization and gain or loss with respect to such property shall be shared among the Members' in a manner that takes account of the variation between the adjusted tax basis of such property and its book value, in the same manner as variations between the adjusted tax basis and fair market value of property contributed to the Company are taken into account in determining the Members' shares of tax items under Section 704(c) of the Code.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 11.1(b), (c), and/or (d) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 11.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 11.1 and 11.2 shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article XI if the special allocations required by Sections 11.2(b), (c) and/or (d) had not occurred.

(k) All expenses of the Company in respect of interest paid on the Subordinated Convertible Note dated January 31, 1997 in the principal amount of \$5,500,000 from the Company to Venetian Investment Company shall be allocated as a deduction to TKZ.

11.3 Distributions. Interim distributions and liquidating distributions shall be made as follows:

(a) Subject to Section 25-25 of the Illinois Act, the Board of Managers may cause the Company to make interim distributions of Distributable Cash or other property at such time and for such amounts as determined by the Managers. All interim distributions of Distributable Cash or other property shall be made in proportion to the Members' respective Membership Interests.

(b) Upon liquidation of the Company, after settling accounts of creditors in the order described in Section 14.3, liquidating distributions will be made in accordance with the Members' positive Capital Account balances after taking into account all Capital Account adjustments of the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid within 60 days of the end of the taxable year of liquidation (or, if later, within ninety (90) days after the date of the liquidation).

(c) If a Member resigns under Section 9.5, the Company shall, subject to Section 11.3(d), pay to the withdrawing Member any positive balance in the withdrawing Member's Capital Account within ninety (90) days from the date of the Resignation. The remaining Members shall have the right in their sole discretion at any time within sixty (60) days of the Resignation to determine all Net Profits and Net Losses of the Company as of the date of such determination and to make appropriate credits and debits to the Members' Capital Accounts. The Capital Account of the withdrawing Member as of the date of determination shall be conclusively deemed to be the fair value of all his Membership Interest and the payment provided for in this Section 11.3(c) shall be the full and only consideration for the redemption of the withdrawing Member's Membership Interest.

(d) The Company may offset damages for breach of this Operating Agreement by a Member whose interest is liquidated (either upon the Resignation of the Member or the liquidation of the Company but not in the case of a Put/Call Exercise under the Membership Interest Agreement) against the amount otherwise distributable to such Member pursuant to this Section in addition to any remedies otherwise available under applicable law.

(e) A Member has no right to demand and receive any distribution in a form other than cash.

11.4 Accounting Principles. The Company's financial statements shall be prepared and its profits and losses shall be determined in accordance with generally accepted accounting principles applied on a consistent basis under the accrual method of accounting.

11.5 Interest on and Return of Capital Contributions. No Member shall be

entitled to interest on his Capital Contribution or a return of his Capital Contribution.

11.6 Loans to Company. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

11.7 Accounting Period. The Company's accounting period shall be the Fiscal Year.

11.8 Records and Reports. At the expense of the Company, the Managers shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

- (a) A current list of the full name and last known business residence, or mailing address of each Member;
- (b) A copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- (c) Copies of the Company's financial statements and income tax returns and reports, if any, for the three most recent years; and
- (d) Copies of the Company's currently effective written Operating Agreement.

11.9 Returns and Other Elections. The Managers shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

All elections permitted to be made by the Company under federal or state laws shall be made by the Managers in their sole discretion.

In recognition of the fact that the Company expects to be treated as a partnership for federal income tax purposes, the Members agree to treat their Membership Interests as partnership interests for U.S. federal and state income tax reporting purposes.

11.10 Tax Matters Partner. TKZ shall be designated the "Tax Matters Partner" (as defined in Section 6231 of the Code), and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including, without limitation, administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. The Members agree to cooperate with each other and to do or refrain from doing any and all things reasonably required to conduct such proceedings.

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY

12.1 Restriction on Transfer of Membership Interests. During the term of this Agreement, no Member shall sell, give, pledge, assign or otherwise dispose of any or all of his Membership Interests to any other person or entity except in accordance with the terms hereof.

12.2 Voluntary Sales.

(a) If a Member has received a bona fide written offer stated in terms of cash or cash equivalents from a prospective purchaser of any or all of his Membership Interests (herein referred to as the "Offered Membership Interests"), before accepting such offer, such Member (herein referred to as the "Offering Member") shall offer such Membership Interests in writing to the Company at the price and on the other terms and conditions contained in such offer; provided, however, that the Company shall not be required to meet any non-monetary terms of the offer, including without limitation delivery of other securities in exchange for the Offered Membership Interests. The notice given by the Offering Member shall contain a complete copy of the offer received by him from the bona fide offeror.

(b) The Company shall have the right, within thirty (30) days after receipt

of such notice, to notify the Offering Member of its election to purchase. In such notice, the Company shall also fix a closing date not more than thirty (30) days after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests offered, the Company shall promptly communicate the offer for the remaining interests to the other Members who shall have thirty (30) days from the date of such notice within which to notify the Offering Member and the Company of their respective elections to purchase. The other Members shall have the option of purchasing the Membership Interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall be not more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings. That is, the number of Offered Membership Interests that each other Member shall be entitled to purchase hereunder shall be determined by multiplying the total Offered Membership Interests by a fraction, the numerator of which shall be the number of Membership Interests then owned by the purchasing Member (or which the purchasing Member shall have the right to acquire by reason of a then pending offer to purchase) and the denominator of which shall be the number of Membership Interests then owned by all purchasing Members then participating in such offer.

(d) Unless the Company and the other Members agree to purchase the Offered Membership Interests pursuant to the terms hereof, their right to purchase said interests shall terminate and the Offering Member shall be free for a period of ninety (90) days to sell the Offered Membership Interests to the third person at the same price and on the same terms set forth in the Offering Member's notice of intended sale. Any person who acquires such Membership Interests shall automatically be bound by the terms of this Agreement (including the Put/Call provisions set forth in the Membership Interest Agreement) and shall be required to join in and execute and deliver a copy of this Agreement as an additional Member party. If the Membership Interests are not sold by the Offering Member within the ninety (90) day period, all rights to transfer the Membership Interests free of the foregoing restrictions shall terminate.

12.3 Sale of Membership Interests Upon Death.

(a) Following the death of a Member, the Company and the remaining Members shall have the option to purchase all of the Membership Interests held by the deceased Member on the date of his death, and the estate of the deceased Member shall be obligated to sell all of its said interests all on terms herein provided if the Company or the remaining Members exercise their respective options hereunder.

(b) The Company shall have the right, within thirty days after receipt of notice of the death of a Member, to notify the estate of such Member of its election to purchase. In such notice, the Company shall also fix a Closing Date not more than thirty days (30) after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests of the deceased Member, the Company shall promptly communicate the same to the other Members who shall have thirty (30) days from the date of such notice within which to notify the estate of the deceased Member and the Company of their respective elections to purchase all of such interests. The other Members shall have the option of purchasing interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall not be more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings, calculated in the manner set forth in Section 12.2(c) hereof.

(d) The price to be paid for the purchased Membership Interest under this Paragraph shall be the Applicable Percentage of Total Equity Value (as defined in the Membership Interests Agreement). The representative of the estate of a deceased Member shall cooperate with the Company and the remaining Members to effectuate the purposes of this Agreement.

12.4 Effectiveness of Transfer. Any sale or gift of any of a Member's Membership Interest in the Company will take effect on the first day following receipt by the Members of written notice that all of the requirements of the above Sections have been met.

ARTICLE XIII
ADDITIONAL MEMBERS

13.1 Admission of New Members. From the date of the formation of the Company, any Person or Entity acceptable to the Members by their unanimous vote thereof may become a Member in the Company by the issuance by the Company of a Membership Interest for such consideration as the members by their unanimous vote shall determine, or by being a permitted transferee of an existing Membership Interest in accordance with Article XII.

13.2 Allocations to New Members. No new Members shall be entitled to any retroactive allocation of any item of income, gain, loss, deduction or credit of the Company. The Managers may, at their option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of items of income, gain, loss, deduction or credit to a new Member for that portion of the Company's tax year in which a new Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE XIV
DISSOLUTION AND TERMINATION

14.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events, and only such events:

(i) when the period fixed for the duration of the Company shall expire pursuant to Section 2.5 hereof;

(ii) by the unanimous written agreement of all Members;

(iii) the entry of a decree of judicial dissolution under Section 35-5 of the Illinois Act; or

(iv) administrative dissolution under Section 35-25 of the Illinois Act.

(b) Dissolution of the Company shall be effective on the day on which an event described above occurs, but the Company shall not terminate until Articles of Dissolution shall be filed with the Secretary of State of the State of Illinois and the assets of the Company are distributed as provided in Section 14.4 below. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Members shall continue to be governed by this Operating Agreement.

14.2 Winding Up. The Members who have not wrongfully dissolved the Company may wind up the Company's affairs, but a Court, upon cause shown, may wind up the Company's affairs upon application of any Member or his legal representative, and in connection therewith, may appoint a liquidating trustee.

14.3 Distribution of Assets Upon Winding Up. The assets of the Company shall be distributed as follows:

(a) to creditors, in the order of priority as provided by law, including all Members who are creditors to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provisions for payment thereof); and

(b) to Members and former Members in accordance with the positive balances in their Capital Accounts.

14.4 Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, articles of dissolution shall be executed by one or more authorized persons, which articles of dissolution shall set forth the information required by the Illinois Act. Articles of dissolution shall be filed with the Illinois Secretary of State to accomplish the cancellation of the Articles of the Company upon the dissolution and completion of the winding up of the Company.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Operating Agreement shall be in writing and shall be deemed to have been given when actually received. Any such notice, demand or communication may be given by mail, express package service, telex or telefax and shall be addressed to Member at the addresses shown in Article IV, and/or to the Company at its principal office or to such other address as a party may from time to time designate by notice to the other parties.

15.2 Application of Illinois Law. This Operating Agreement, and the application of interpretation hereof, shall be subject to and is governed exclusively by its terms and by the laws of the State of Illinois, and specifically the Illinois Act.

15.3 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

15.4 Amendment. This Operating Agreement may be amended at any time in writing by the Members owning a Majority Interest.

15.5 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.6 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

15.7 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

15.8 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from registered effect of an original violation.

15.9 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

15.10 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

15.12 No Third Party Beneficiaries. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any third party who is not a party to this Operating Agreement.

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

15.14 Dispute Resolution

(a) General. Any disputes arising under this Agreement between the Company and any Member or between any Members shall be resolved through the procedures specified in this Section 15.14. The resolution of any disputes under this Section 15.14 (whether through the negotiation, mediation or arbitration

procedures specified herein) shall be final and binding upon the parties to such dispute, and specifically enforceable under applicable law by a court of competent jurisdiction. The procedures set forth in this Section 15.14 shall be initiated by the delivery of a written notice by the Company or a Member to the other party or parties to the dispute stating that the claiming party has a claim against the other party or parties, describing in reasonable detail the nature and amount of such claim and the basis thereof.

(b) Negotiation. Prior to the submission of any dispute to the mediation or arbitration procedures specified in subsections (c) or (d) of Section 15.14, the parties to the dispute shall make every effort in good faith to resolve such dispute by mutual agreement within thirty (30) days following the initiation of the procedures set forth in Section 15.14 (the date on which such thirty days expires, or any extension of such period as the parties to the dispute may mutually agree to in writing, is hereby called the "Claim Resolution Deadline Date").

(c) Mediation Procedures. If the parties to the dispute have not resolved such dispute pursuant to the procedures set forth in subsection (b) of the Section 15.14 by the Claim Resolution Deadline Date, then the mediation procedures provided in this subsection (c) shall apply. Within thirty (30) days after the Claim Resolution Deadline Date, the parties to the dispute shall jointly appoint an independent and impartial mediator ("Mediator"). The Mediator shall establish the procedures designed to facilitate the mediation of such dispute, shall meet the representatives of the parties to the dispute and take other appropriate actions to facilitate a negotiated or other voluntary resolution of such dispute. If the parties have not resolved the dispute within thirty (30) days after the appointment of the Mediator or such later date as to which they mutually agree in writing (the "Mediation Deadline Date"), then the arbitration procedures specified in subsection (d) shall apply.

(d) Arbitration. If the parties to the dispute have not resolved the dispute by the Mediation Deadline Date, the parties to the dispute shall jointly select an independent and impartial arbitrator (the "Arbitrator"). The Arbitrator shall have such expertise as the parties to the dispute agree is relevant. The Arbitrator may be removed only by unanimous action of the parties to the dispute. If the parties to the dispute are unable to agree upon the selection of the Arbitrator within thirty (30) days after the Mediation Deadline Date or such later date as to which they mutually agree in writing, application shall be made to the American Arbitration Association in Chicago, Illinois ("AAA"), for the selection and appointment of the Arbitrator. The arbitration proceeding shall be conducted in accordance with the then-current rules of the AAA for arbitration of business disputes, to the extent that such rules are not inconsistent with Section 15.14. The Arbitrator may modify the procedures set forth in such rules from time to time with the prior approval of the parties to the dispute. The place of such arbitration shall be Chicago, Illinois, or such other location agreed to by the parties to the dispute. The arbitration proceedings shall be concluded within one hundred eighty (180) days of the appointment of the Arbitrator or such later date as the parties to the dispute mutually agree in writing. Within thirty (30) days of the conclusion of the arbitration proceedings, the Arbitrator shall present to the parties to the dispute a written statement of the determination regarding the dispute. Failure to submit a position by any party to the dispute shall be deemed an acceptance by such party of the other party's position, and shall constitute a final, binding and specifically enforceable decision against such party.

(e) Costs and Expenses. The fees and expenses of the Mediator and/or Arbitrator shall be shared equally by each party to the dispute. Except as otherwise provided in the proceeding sentence, each party to the dispute shall bear all costs and expenses incurred by it in connection with the conduct of the procedures described in Section 15.14.

(f) Confidentiality. Any dispute resolution proceeding (including without limitation any mediation proceeding) held pursuant to Section 15.14 shall not be public. In addition, except as may be required by law, each party to the dispute, their respective representatives, the Mediator and the Arbitrator shall strictly maintain the confidentiality of all issues, disputes, arguments, positions, interpretations, awards, determinations, enclosures, exhibits, summaries, compilations, studies, analyses, notes, documents, statements, schedules and other similar items associated therewith.

15.15 Investment Representations. The undersigned Members understand (i) that the Membership Interests issued pursuant to this Operating Agreement

have not been registered under the Securities Act of 1933 or any state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (ii) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment, and (iii) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution.

Accordingly, each Member hereby confirms to the Company that such Member is acquiring a Membership Interest for such own Member's account, for investment and not with a view to the resale or distribution thereof without complying with an exemption for registrations under the Securities Acts. Each Member agrees not to transfer, sell or offer or sale any of portion of the Membership Interest unless there is an effective registration or other qualification relating thereto under the Securities Acts or unless the holder of the Membership Interest delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Securities Acts is not required in connection with such transfer, offer or sale. Each Member understands that the Company is under no obligation to register the Membership Interests or to assist such Member in complying with any exemption from registration under the Securities Acts if such Member should at a later date wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission.

Prior to acquiring a Membership Interest, each Member has made an investigation of the Company and its business and the Company has made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire a Membership Interest. Each Member considers himself to be a person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's investment in a Membership Interest.

15.16 Execution of Notes, Checks, Contracts and Other Instruments. Subject to Section 6.6 hereof, all notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the Company whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the Company, may be signed by the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Managers upon any other person or persons. Any person having authority to sign on behalf of the Company may delegate, from time to time, by instrument in writing, all or any part of such authority may be general or confined to specific instances. Facsimile signatures on checks may be used if authorized by the Board of Managers.

IN WITNESS WHEREOF, the parties hereto have caused their signatures, or have caused the signatures of their duly authorized representatives, to be set forth below on the day and year first above written.

TKZ HOLDING CORP.

By: David M. Kelly

Its: President

TUKAIZ LITHO, INC.

By: Frank Defino, Sr.

Frank Defino, President

EXHIBIT 10.4

TUKAIZ COMMUNICATIONS, L.L.C.
OPERATING AGREEMENT
January 31, 1997

TABLE OF CONTENTS

	Page	
ARTICLE I	DEFINITIONS	1
ARTICLE II	FORMATION OF COMPANY; MEMBERSHIP INTERESTS	4
2.1	Formation	4
2.2	Name	4
2.3	Principal Place of Business	4
2.4	Registered Office and Registered Agent	4
2.5	Term	5
2.6	Certificates of Membership Interests	5
2.7	Certificates	5
2.8	Transfer of Certificates	5
2.9	Lost, Stolen, Destroyed or Mutilated Certificates	5
2.10	Regulations Relating to Shares	6
2.11	Transfer of Certificates	6
ARTICLE III	BUSINESS OF COMPANY	6
3.1	Permitted Businesses	6
ARTICLE IV	NAMES AND ADDRESSES OF MEMBERS	6
ARTICLE V	RIGHTS AND DUTIES OF BOARD OF MANAGERS	7
5.1	Management	7
5.2	Number, Election, Tenure and Qualifications	7
5.3	Manner of Acting	8
5.4	Certain Powers of Managers	8
5.5	Managers Have No Exclusive Duty to Company	10
5.6	Bank Accounts	10
	Page	
5.7	Resignation	10
5.8	Removal	10
5.9	Vacancies	10

ARTICLE VI OFFICERS	11	
6.1 Officers of Company	11	
6.2 Election and Term of Office	11	
6.3 Removal	11	
6.4 Vacancies	11	
6.5 Chairman	11	
6.6 President	12	
6.7 The Vice Presidents	13	
6.8 The Treasurer	13	
6.9 The Secretary	13	
6.10 Assistant Treasurers and Assistant Secretaries	14	
6.11 Salaries	14	
ARTICLE VII MEETINGS OF MEMBERS		14
7.1 Meetings	14	
7.2 Place of Meetings	14	
7.3 Notice of Meeting	15	
7.5 Record Date	15	
7.6 Quorum	15	
7.7 Manner of Acting	15	
7.8 Proxies	16	
7.9 Action by Members Without a Meeting	16	
7.10 Waiver of Notice	16	
		Page
ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES	16	
8.1 Standard of Care	16	
8.2 Indemnification of Managers, Officers and Employees	17	
ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS		17
9.1 Limitation of Liability	17	
9.2 List of Members	17	
9.3 Company Books	17	
9.4 Priority and Return of Capital	18	
ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS		18
10.1 Initial Capital Contributions	18	
10.2 Additional Capital Contributions	18	
10.3 Capital Accounts	18	

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS 20

11.1	Allocations of Net Profits and Net Losses	20
11.2	Special Allocations to Capital Accounts	20
11.3	Distributions	23
11.4	Accounting Principles	24
11.5	Interest on and Return of Capital Contributions	24
11.6	Loans to Company	24
11.7	Accounting Period	24
11.8	Records and Reports	24
11.9	Returns and Other Elections	24
11.10	Tax Matters Partner	25

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY 25

12.01	Restriction on Transfer of Membership Interests	25
	Page	
12.02	Voluntary Sales	25
12.04	Sale of Membership Interests Upon Death	27
12.5	Effectiveness of Transfer	28

ARTICLE XIII ADDITIONAL MEMBERS 28

13.1	Admission of New Members	28
13.2	Allocations to New Members	28

ARTICLE XIV DISSOLUTION AND TERMINATION 28

14.1	Dissolution	28
14.2	Winding Up	29
14.3	Distribution of Assets Upon Winding Up	29
14.4	Articles of Dissolution	29

ARTICLE XV MISCELLANEOUS PROVISIONS 30

15.1	Notices	30
15.2	Application of Illinois Law	30
15.3	Waiver of Action for Partition	30
15.4	Amendment	30
15.5	Execution of Additional Instruments	30
15.6	Construction	30
15.7	Headings	31
15.8	Waivers	31

15.9	Rights and Remedies Cumulative	31
15.10	Severability	31
15.11	Heirs, Successors and Assigns	31
15.12	Creditors	31
15.13	Counterparts	31
15.14	Investment Representations	33

OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made and entered into this 31st day of January, 1997, among TKZ HOLDING CORP. ("TKZ") and TUKAIZ LITHO, INC. ("Tukaiz") (together, the "Members").

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

- (a) The Articles shall mean the Articles of Organization of the Company as filed by the organizer of the Company with the Illinois Secretary of State, as the same may be amended from time to time.
- (b) "Board of Managers" has the meaning set out in Section 5.1.
- (c) "Capital Account" as of any given date shall mean the Capital Contributions to the Company by a Member as adjusted up to the date in question pursuant to Article X.
- (d) "Capital Contribution" shall mean any contribution to the capital of the Company in cash or property by a Member whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.
- (f) "Company" shall refer to Tukaiz Communications, L.L.C.
- (g) "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the debit to such Capital Account for the items described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) and (6). This definition of Deficit Capital Account is intended to comply with the provision of Treasury Regulations 1.704-1(b)(2)(ii)(d), and will be interpreted consistently with those provisions.
- (h) "Illinois Act" shall mean the Illinois Limited Liability Company Act at 805 Ill. Comp. Stat. 180/1-1, et seq. as the same may be amended from time to time.
- (i) "Distributable Cash" shall mean all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred in the normal operation of the Company's business; and (iii) such reserves as the Managers or their designees deem reasonably necessary for the proper operation of the Company's business.
- (j) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, foreign trust or foreign business organization.
- (k) "Fiscal Year" shall mean the Company's fiscal year, which shall end on September 30 each year.

- (l) "Majority Interest" shall mean the affirmative vote of Members holding more than fifty percent (50%) of the aggregate Percentage Interests in the Company.
- (m) "Manager" shall mean one or more members of the Board of Managers of the Company. References to the Managers in the singular or as him, her, it, itself or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- (n) "Member" shall mean, in connection with the formation of the Company, each of the parties who executes a counterpart of this Operating Agreement as a Member and, after the formation of the Company, each of the parties who may be admitted as a Member in accordance with Section 13.1 of this Operating Agreement.
- (o) "Membership Interest" shall mean a Member's entire interest in the Company, including the right to participate in the management of the business and affairs of the Company, including the right to vote on, consent to, or otherwise participate in any decision or action of or by the Members granted pursuant to this Operating Agreement and the Illinois Act.
- (p) "Membership Interest Agreement" shall mean the Membership Interest Agreement dated as of January 22, 1997 among TKZ, Tukaiz, Frank Defino, Sr. and the Company, as the same may be amended from time to time.
- (q) "Net Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.
- (r) "Net Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.
- (s) "Reserves" shall mean funds set aside or amounts allocated to reserves which shall be maintained in amounts deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.
- (t) "Offered Membership Interests" has the meaning set forth in Section 12.2(a).
- (u) "Offering Member" has the meaning set forth in Section 12.2(a).
- (v) "Resignation" has the meaning set out in Section 9.5(a).
- (w) "Operating Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.
- (x) "Percentage Interest" shall mean for any Member, the percentage of Membership Interest in the Company as set forth on Exhibit A, as the same may be changed from time to time upon the acquisition or disposition of Membership Interests, the redemption of Membership Interests, or the addition or deletion of Members.
- (y) "Person" shall mean any individual or entity, and their heirs, executors, administrators, legal representatives, successors and assigns where the context so permits.
- (z) "Transferring Member" shall mean (i) any Member who sells, assigns, pledges, hypothecates, transfers, exchanges or otherwise transfers for consideration all or any portion of his Membership Interest or (ii) any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of his Membership Interest.
- (aa) "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate and the corresponding sections of any regulations subsequently

issued that amend or supersede such regulations.

Capitalized terms used herein and not defined herein shall have the respective meanings given to those terms in the Membership Interest Agreement.

ARTICLE II FORMATION OF COMPANY; MEMBERSHIP INTERESTS

2.1 Formation. Tukaiz Communications, L.L.C. has been organized as an Illinois limited liability company by executing and delivering the Articles to the Illinois Secretary of State in accordance with and pursuant to the Illinois Act.

2.2 Name. The name of the Company is Tukaiz Communications, L.L.C.

2.3 Principal Place of Business. The principal place of business of the Company shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131. The Company may locate its place of business at any other place or places as the Board of Managers may deem advisable.

2.4 Registered Office and Registered Agent. The company's initial registered office shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131 and the name of its initial registered agent shall be Frank Defino, Sr..

2.5 Term. The term of the Company shall be fifty (50) years from and after the date of the formation of the Company in accordance with and pursuant to the Illinois Act, unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Illinois Act.

2.6 Certificates of Membership Interests. The Board of Managers of the Company may make such rules and regulations as they may deem appropriate concerning the issuance and registration of Membership Interests in the Company. The Board of Managers may authorize the issuance of any Membership Interest without certificates. Such authorization shall not affect Membership Interests already represented by certificates until they are surrendered to the Company.

2.7 Certificates. If the Board of Managers authorizes the issuance of certificates, such certificate or certificates shall be in such form as the Board of Managers may from time to time prescribe, and signed (in facsimile or otherwise as permitted by law) by the President or a Vice President and the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, which shall represent the number of Membership Interests owned by such holder. The Board may authorize the issuance of certificates for fractional shares or, in lieu thereof, scrip or other evidence of ownership, which may (or may not) as determined by the Board entitle the holder thereof to voting, dividends or other rights of Members.

2.8 Transfer of Certificates. If the Board of Managers authorizes the issuance of certificates, transfers of Membership Interests of the Company shall be made on the books of the Company only upon surrender to the Company of the certificate or certificates for such Membership Interests properly endorsed by the holder or by his assignee, agent or legal representative, who shall furnish proper evidence of assignment, authority or legal succession, or by the agent of one of the foregoing thereunto duly authorized by an instrument duly executed and filed with the Company, in accordance with regular commercial practice.

2.9 Lost, Stolen, Destroyed or Mutilated Certificates. New certificates for Membership Interests may be issued to replace certificates lost, stolen, destroyed or mutilated upon such conditions as the Board of Managers may from time to time determine.

2.10 Regulations Relating to Membership Interests. The Board of Managers shall have power and authority to make all such rules and regulations not inconsistent with the Operating Agreement as it may deem expedient concerning the issue, transfer and registration of certificates representing Membership Interests of the Company.

2.11 Holders of Record. The Company shall be entitled to treat the holder of record of any Membership Interests of the Company as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interests on the part of any other person, whether or not it shall have express or other notice

thereof, except as otherwise expressly provided by law.

ARTICLE III
BUSINESS OF COMPANY

3.1 Permitted Businesses. The business of the Company shall be to:

(a) engage in the business of digital prepress serving premedia, including multimedia, digital photography, web site service and on-demand digital printing; and

(b) to carry on any other lawful business or activity in connection with the foregoing or otherwise, and to have and exercise all of the powers, rights and privileges which a limited liability company organized pursuant to the Illinois Act may have and exercise.

ARTICLE IV
NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the initial Members are as follows:

NAME	ADDRESS
TKZ Holding Corp.	c/o Matthews International Corporation Two NorthShore Center Pittsburgh, PA 15212 Attn.: President
Tukaiz Litho, Inc.	c/o Frank Defino, Sr. 2917 N. Latoria Lane Franklin Park, IL 60131

ARTICLE V
RIGHTS AND DUTIES OF BOARD OF MANAGERS

5.1 Management. The business and affairs of the Company shall be managed by its "Board of Managers". The Board of Managers shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business and objectives. No one Manager may take or effect any action on behalf of the Company or otherwise bind the Company in the absence of a formal delegation of authority by the Board of Managers to such Manager. Unless authorized to do so by this Operating Agreement or by the Managers of the Company, no Member, officer, employee, attorney-in fact or other agent shall have any power or authority to bind the Company.

5.2 Number, Election, Tenure and Qualifications. The number of Managers which shall constitute the first Board of Managers shall be two (2). Thereafter, the number of Managers of the Company shall be fixed from time to time by the Members owning a Majority Interest, or as otherwise provided in the Membership Interest Agreement. In no instance shall there be less than one (1) Manager. Managers shall be elected by the vote of a Majority Interest of the Members. Each Manager shall hold office until his successor shall have been elected and qualified. Managers need not be Members of the Company.

5.3 Regular Meetings; Notice. Regular meetings of the Board of Managers shall be held at such time and place as shall be designated by the Board of Managers from time to time. Notice of such regular meetings shall not be required, except as otherwise expressly required herein or by law, and except that whenever the time or place of regular meetings shall be initially fixed and then changed, notice of such action shall be given promptly by telephone or otherwise to each Manager not participating in such action. Any business may be transacted at any regular meeting.

5.4 Special Meetings; Notice. Special meetings of the Board of Managers may be called at any time by the Board itself, or by the chairman or the president, or by at least one-fourth of the Managers, to be held at such place and day and hour as shall be specified by the person or persons calling the meeting. Notice of every special meeting of the Board of Managers shall be given by the Secretary to each Manager at least two days before the meeting. Any business may be transacted at any special meeting regardless of whether the notice calling such meeting contains a reference thereto, except as

otherwise required by law.

5.5 Manner of Acting. The Board of Managers shall meet at least once each calendar year. The Managers may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of Managers. If no designation is made, the place of meeting shall be the principal place of business of the Company. A majority of the Board of Managers shall constitute a quorum at meetings of the Board of Managers. If a quorum is present, the affirmative vote of a majority of those in attendance shall constitute the act of the Board of Managers, unless the vote of Members is otherwise required by this Operating Agreement, the Illinois Act or the Articles. Any Manager may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by means of such equipment shall constitute presence in person at such meeting. Action may be taken without a meeting if the action is evidenced by one or more written consents signed by each Manager.

5.6 Presumption of Assent. Minutes of each meeting of the Board shall be made available to each Manager at or before the next succeeding meeting. Each Manager shall be presumed to have assented to such minutes unless his objection thereto shall be made to the Secretary at or within two days after such succeeding meeting.

5.7 Certain Powers of Managers. Without limiting the generality of Section 5.1, the Board of Managers (as a whole) shall have power and authority (and no individual Manager shall alone have such power and authority; provided that this shall not prevent a person who is both a Manager and an officer from acting as an officer hereunder), after due action, on behalf of the Company:

- (a) to acquire property from any Person as the Managers may determine, whether or not such Person is directly or indirectly affiliated or connected with any Manager or Member;
- (b) to borrow money for the Company on such terms as the Managers deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Managers, or to the extent permitted herein, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Managers;
- (c) to purchase liability and other insurance to protect the Company's property and business;
- (d) to hold and own Company real and personal properties in the name of the Company;
- (e) to invest Company funds;
- (f) to execute on behalf of the Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments, bills of sale; leases; and any other instruments or documents necessary to the business of the Company;
- (g) to employ accountants, legal counsel, agents or other experts to perform services for the Company;
- (h) to enter into any and all other agreements on behalf of the Company, in such forms as the Managers may approve;
- (i) to appoint such agents, officers and delegates as may be necessary or appropriate to the conduct of the business; and
- (j) to do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

5.8 Managers Have No Exclusive Duty to Company. A Manager shall not be required to manage the Company as his or her sole and exclusive function and he or she may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company, a Member nor any other Manager shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of

the Manager or in the income or proceeds derived therefrom.

5.9 Bank Accounts. The Board of Managers may from time to time authorize the opening of bank accounts in the name and on behalf of the Company and the Managers shall determine who shall have the signatory power over such accounts.

5.10 Resignation. Any Manager of the Company may resign at any time by giving written notice to the Members of the Company and the other Managers of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later date specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.11 Removal. All or any lesser number of Managers may be removed at any time, with or without cause, by the Members owning a Majority Interest. The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.12 Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company may be filled by the Members owning a Majority Interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the Members at a meeting of Members called for that purpose or by the Members' unanimous written consent. A Manager elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and shall hold office until the expiration of such term and until his successor shall be elected and qualified or until his earlier death, resignation or removal. A Manager chosen to fill a position resulting from an increase in the number of the Board of Managers shall hold office until his successor shall be elected and qualified, or until his earlier death, resignation or removal.

ARTICLE VI OFFICERS

6.1 Officers of the Company. The Company shall have officers consisting of a chairman, a president, a treasurer and a secretary, and such vice presidents, assistant vice presidents, assistant treasurers, assistant secretaries or other officers or agents as may be elected and appointed by the Board of Managers. Any two or more offices may be held by the same person. The officers shall act in the name of the Company and shall supervise its operation under the direction and management of the Board of Managers, as further described below.

6.2 Election and Term of Office. The officers of the Company shall be elected annually by the Board of Managers. Vacancies may be filled or new offices created and filled at any meeting of the Board of Managers. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

6.3 Removal. Any officer or agent may be removed by the Board of Managers whenever in their judgment the best interests of the Company would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

6.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Managers for the unexpired portion of the term.

6.5 Chairman. If there shall be a chairman, he or she shall be elected from among the Managers, shall preside at all meetings of the Members and of the Board or provided herein, and shall have such other powers and duties as from time to time may be prescribed by the Board.

6.6 President. The president shall be the chief executive officer of the Company and shall be in general and active charge of the entire business and all the affairs of the Company and shall have the powers and perform the duties incident to that position, including the power to bind the Company in accordance with this Section 6.6. He or she shall have such other powers and

perform such duties as are specified in this Operating Agreement, including those items set forth in Section 5.7 hereof, and as may from time to time be assigned to him or her by the Board of Managers of the Company.

The president shall have general and active management of the business of the Company and shall see that all orders and resolutions of the Board of Managers of the Company are carried into effect. The president may execute bonds, mortgages and other contracts (whenever requiring a seal, under the seal of the Company), except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Managers of the Company to some other officer or agent of the Company. The president shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Company, and such decision as to any matter affecting the Company shall be final and binding as between the officers of the Company subject only to the Board of Managers of the Company.

Notwithstanding the foregoing or the provisions of Section 5.7 hereof, without the prior consent and authorization of the Board of Managers, neither the president nor any other officer of the Company have the power or authority to, and none of them shall, enter into any of the following transactions:

- (i) the sale, purchase or lease of any capital assets for an aggregate amount in excess of \$100,000;
- (ii) the sale or purchase of any fixed assets, business or product line for an aggregate amount in excess of \$100,000;
- (iii) any other contract, including a sales contract, supply contract or employment agreement, for an aggregate amount in excess of \$100,000; and
- (iv) the incurrence of indebtedness for borrowed money by the Company or the pledging or permitting of any liens on the assets of the Company in connection therewith, for an amount in excess of \$100,000.

6.7 The Vice Presidents. In the absence of (or at the request of) the chairman, president or in the event of his or her inability or refusal to act, a vice president (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned to him by the chairman, president or by the Board of Managers of the Company.

6.8 The Treasurer. The treasurer may be the chief financial officer of the Company. The treasurer shall not be required to give a bond for the faithful discharge of his or her duties. He or she shall: (i) have charge and custody of and be responsible for all funds and securities of the Company; (ii) be charged with primary responsibility for dealing with National Securities Exchanges or other exchanges in which the Company may hold a membership or on which the Company may trade; (iii) 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 banks, trust companies or other depositories as shall be selected by the Board of Managers of the Company; and (iv) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the Board of Managers of the Company.

6.9 The Secretary. The secretary shall: (a) keep the minutes of the Board of Managers' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Operating Agreement or as required by law; (c) be custodian of Company records; (d) keep a register of the post office address of each Member which shall be furnished to the secretary by such Member; (e) sign with the chairman, the president or a vice president (as designated by the chairman), any certificates for Membership Interests, the issue of which shall have been authorized by resolution of the Board of Managers; (f) certify the resolutions of the Board of Managers and other documents to the Company as true and correct thereof; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chairman, president, a vice president (as designated by the chairman) or by the Members of the Company.

6.10 Assistant Treasurers and Assistant Secretaries. The assistant

treasurers shall respectively, if required by the Board of Managers of the Company, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Managers of the Company shall determine. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the chairman, the president or the Board of Managers of the Company. Each officer of the Company by virtue of his or her office shall be an Assistant Secretary.

6.11 Salaries. The salaries and other compensation of the officers and other employees of the Company shall be fixed from time to time by the Board of Managers, and no officer or employee shall be prevented from receiving such salary by reason of the fact that he is also a Manager or Member of the Company.

6.12 Delegation of Duties. The Board of Managers may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select.

ARTICLE VII MEETINGS OF MEMBERS

7.1 Meetings. Meetings of the Members, for any purpose or purposes, may be called by any Member or Members owning at least twenty-five percent (25%) of the aggregate Percentage Interests in the Company or by any Manager.

7.2 Place of Meetings. The Members may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of the Members. If no designation is made, the place of meeting shall be the principal place of business of the Company.

7.3 Notice of Meeting. Except as provided in Section 7.4, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five (5) nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Managers or Member or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at his address as it appears on the books of the Company, with postage thereon prepaid.

7.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other Purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.5 Quorum. Members owning a Majority Interest, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Percentage Interests so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Percentage Interests whose absence would cause less than a quorum.

7.6 Manner of Acting. If a quorum is present, the affirmative vote of Members owning a Majority Interest present in person or represented by proxy shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Illinois Act, by the Articles or by this Operating Agreement.

7.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managers of the Company

before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

7.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and delivered to the Managers of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

7.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES

8.1 Standard of Care. No Manager or officer shall be liable to any Member or to the Company by reason of the actions of such person in the conduct of the business of the Company except for fraud, gross negligence or willful misconduct, and if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

8.2 Indemnification of Managers, Officers and Employees. The Company shall, to the fullest extent to which it is empowered to do so by the Illinois Act or any other applicable law, indemnify and make advances for expenses to any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Manager, officer or employee of the Company, against losses, damages, expenses (including attorneys' fees), judgments, fines and amounts reasonably incurred by him in connection with such action, suit or proceeding.

ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS

9.1 Limitation of Liability.

A Member will not be personally liable to creditors of the Company for any debts, obligations, liabilities or losses of the Company, whether arising in contract, tort or otherwise, beyond such Member's Capital Contributions.

9.2 List of Members. Upon written request of any Member, the Managers shall provide a list showing the names, addresses and Membership Interests of all Members.

9.3 Company Books. In accordance with Section 11.8 herein, the Board of Managers shall maintain and preserve, during the term of the Company, all accounts, books and other relevant Company documents. Upon reasonable written request, each Member and his duly authorized representative shall have the right, during ordinary business hours as reasonably determined by the Board of Managers, to inspect and copy such Company documents (at the requesting Member's expense) which the Managers, in their discretion, deem appropriate for any purpose reasonably related to the requesting Member's Membership Interest.

9.4 Priority and Return of Capital. Except as may be expressly provided in Article XI, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to the repayment by the Company of loans (as distinguished from Capital Contributions) which a Member has made to the Company.

9.5 Resignation. No Member shall have the right to voluntarily resign as a Member of the Company prior to the dissolution and winding up of the Company, except in connection with the Put/Call Exercise under the Membership Interest Agreement, and any resignation other than in such connection (a "Resignation")

by a Member shall constitute a breach of this Operating Agreement and subject the Member submitting such Resignation to damages for breach of this Operating Agreement by such Member.

ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

10.1 Initial Capital Contributions. Each Member shall contribute such amount set forth on Exhibit A as its Initial Capital Contribution.

10.2 Additional Capital Contributions. No Member shall be required to make any additional Capital Contributions. To the extent approved by Members owning a Majority Interest, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire.

10.3 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by the Member to the Company; (2) the fair market value of property contributed by the Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations of Net Profits and Net Losses; and (4) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to the Member by the Company; (2) the fair market value of property distributed to the Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(b) of the Code; and (4) allocations to the account of such Member losses and deductions as set forth in such Treasury Regulations, taking into account adjustments to reflect book value.

(b) In the event of a permitted sale or exchange of a Membership Interest in the Company pursuant to Article XII hereof, the Capital Account of the Transferring Member shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest in accordance with Treasury Regulations 1.704-1(b)(2)(iv).

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 10.3 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the Company determines that the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 10.3 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 10.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members as set forth in this Operating Agreement.

(d) Except as otherwise required in the Illinois Act (and subject to Sections 10.1 and 10.2), no Member shall have any liability to restore all or any deficit balance in such Member's Capital Account.

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS

11.1 Allocations of Net Profits and Net Losses. The Net Profits and Net Losses of the Company shall be allocated as follows:

(a) Net Profit. The Net Profits for a fiscal year or other period of the Company shall be allocated to the Members in Accordance with their respective Membership Interests.

(b) Net Losses. The Net Losses, if any, for a fiscal year or other period of the Company shall be allocated in the Members in accordance with their respective Membership Interests.

11.2 Special Allocations to Capital Accounts. Notwithstanding Section 11.1 hereof:

(a) No allocations of loss, deduction and/or expenditures described in Section 705(a)(2)(B) of the Code shall be charged to the Capital Account of any Member if such allocation would cause such Member to have a Deficit Capital Account. The amount of the loss, deduction and/or Section 705(a)(2)(B) of the Code expenditure which would have caused a Member to have a Deficit Capital Account shall instead be charged to the Capital Account of any Members which would not have a Deficit Capital Account as a result of the allocation, in proportion to their respective Capital Contributions, or, if no such Members exist, then to the Members in accordance with their interests in Company Net Profits pursuant to Section 11.1.

(b) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially credited to the Capital Account of such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 11.2(b) be interpreted to comply with the alternate test for economic effect set forth in Treasury Regulations 1.704-1(b)(2)(ii)(d).

(c) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Treasury Regulations 1.704-1(b)(2)(ii)(c) and such Member's share of minimum gain as defined in Treasury Regulations 1.704-2(g)(l) (which is also treated as an obligation to restore in accordance with Treasury Regulations 1.704-1(b)(2)(ii)(d)), the Capital Account of such Member shall be specially credited with items of Membership income (including gross income) and gain in the amount of such excess as quickly as possible.

(d) Notwithstanding any other provision of this Section 11.2, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulations 1.704-2(d) during a taxable year of the Company, then, the Capital Account of each Member shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 11.2(d) is intended to comply with the minimum gain chargeback requirement of Treasury Regulations 1.704-2 and shall be interpreted consistently therewith.

(e) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) of the Code which are attributable to any nonrecourse debt of the Company and are characterized as partner nonrecourse deductions under Treasury Regulations 1.704-2(i) shall be allocated to the Members' Capital Accounts in accordance with Treasury Regulations 1.704-2(i).

(f) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Treasury Regulations 1.704-2(b)), such deductions shall be allocated to the Members in accordance with, and as part of, the allocations of Company profit or loss for such period.

(g) In accordance with Section 704(c) of the Code, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income 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 and its fair market value at the time of contribution.

(h) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five (5) years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Member shall be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(i) In connection with a Capital Contribution of money or other property (other than a de minimis amount) by a new or existing Member, or in connection

with the liquidation of the Company, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property (including intangible assets) in accordance with Treasury Regulations 1.704-1(b)(2)(iv)(f). If, under Treasury Regulations 1.704-1(b)(2)(iv)(f), Company property that has been revalued is properly reflected in the Capital Accounts and on the books of the Company at a book value that differs from the adjusted tax basis of such property, then depreciation, depletion, amortization and gain or loss with respect to such property shall be shared among the Members' in a manner that takes account of the variation between the adjusted tax basis of such property and its book value, in the same manner as variations between the adjusted tax basis and fair market value of property contributed to the Company are taken into account in determining the Members' shares of tax items under Section 704(c) of the Code.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 11.1(b), (c), and/or (d) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 11.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 11.1 and 11.2 shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article XI if the special allocations required by Sections 11.2(b), (c) and/or (d) had not occurred.

(k) All expenses of the Company in respect of interest paid on the Subordinated Convertible Note dated January 31, 1997 in the principal amount of \$5,500,000 from the Company to Venetian Investment Company shall be allocated as a deduction to TKZ.

11.3 Distributions. Interim distributions and liquidating distributions shall be made as follows:

(a) Subject to Section 25-25 of the Illinois Act, the Board of Managers may cause the Company to make interim distributions of Distributable Cash or other property at such time and for such amounts as determined by the Managers. All interim distributions of Distributable Cash or other property shall be made in proportion to the Members' respective Membership Interests.

(b) Upon liquidation of the Company, after settling accounts of creditors in the order described in Section 14.3, liquidating distributions will be made in accordance with the Members' positive Capital Account balances after taking into account all Capital Account adjustments of the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid within 60 days of the end of the taxable year of liquidation (or, if later, within ninety (90) days after the date of the liquidation).

(c) If a Member resigns under Section 9.5, the Company shall, subject to Section 11.3(d), pay to the withdrawing Member any positive balance in the withdrawing Member's Capital Account within ninety (90) days from the date of the Resignation. The remaining Members shall have the right in their sole discretion at any time within sixty (60) days of the Resignation to determine all Net Profits and Net Losses of the Company as of the date of such determination and to make appropriate credits and debits to the Members' Capital Accounts. The Capital Account of the withdrawing Member as of the date of determination shall be conclusively deemed to be the fair value of all his Membership Interest and the payment provided for in this Section 11.3(c) shall be the full and only consideration for the redemption of the withdrawing Member's Membership Interest.

(d) The Company may offset damages for breach of this Operating Agreement by a Member whose interest is liquidated (either upon the Resignation of the Member or the liquidation of the Company but not in the case of a Put/Call Exercise under the Membership Interest Agreement) against the amount otherwise distributable to such Member pursuant to this Section in addition to any remedies otherwise available under applicable law.

(e) A Member has no right to demand and receive any distribution in a form other than cash.

11.4 Accounting Principles. The Company's financial statements shall be prepared and its profits and losses shall be determined in accordance with generally accepted accounting principles applied on a consistent basis under the accrual method of accounting.

11.5 Interest on and Return of Capital Contributions. No Member shall be

entitled to interest on his Capital Contribution or a return of his Capital Contribution.

11.6 Loans to Company. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

11.7 Accounting Period. The Company's accounting period shall be the Fiscal Year.

11.8 Records and Reports. At the expense of the Company, the Managers shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

- (a) A current list of the full name and last known business residence, or mailing address of each Member;
- (b) A copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- (c) Copies of the Company's financial statements and income tax returns and reports, if any, for the three most recent years; and
- (d) Copies of the Company's currently effective written Operating Agreement.

11.9 Returns and Other Elections. The Managers shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

All elections permitted to be made by the Company under federal or state laws shall be made by the Managers in their sole discretion.

In recognition of the fact that the Company expects to be treated as a partnership for federal income tax purposes, the Members agree to treat their Membership Interests as partnership interests for U.S. federal and state income tax reporting purposes.

11.10 Tax Matters Partner. TKZ shall be designated the "Tax Matters Partner" (as defined in Section 6231 of the Code), and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including, without limitation, administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. The Members agree to cooperate with each other and to do or refrain from doing any and all things reasonably required to conduct such proceedings.

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY

12.1 Restriction on Transfer of Membership Interests. During the term of this Agreement, no Member shall sell, give, pledge, assign or otherwise dispose of any or all of his Membership Interests to any other person or entity except in accordance with the terms hereof.

12.2 Voluntary Sales.

(a) If a Member has received a bona fide written offer stated in terms of cash or cash equivalents from a prospective purchaser of any or all of his Membership Interests (herein referred to as the "Offered Membership Interests"), before accepting such offer, such Member (herein referred to as the "Offering Member") shall offer such Membership Interests in writing to the Company at the price and on the other terms and conditions contained in such offer; provided, however, that the Company shall not be required to meet any non-monetary terms of the offer, including without limitation delivery of other securities in exchange for the Offered Membership Interests. The notice given by the Offering Member shall contain a complete copy of the offer received by him from the bona fide offeror.

(b) The Company shall have the right, within thirty (30) days after receipt

of such notice, to notify the Offering Member of its election to purchase. In such notice, the Company shall also fix a closing date not more than thirty (30) days after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests offered, the Company shall promptly communicate the offer for the remaining interests to the other Members who shall have thirty (30) days from the date of such notice within which to notify the Offering Member and the Company of their respective elections to purchase. The other Members shall have the option of purchasing the Membership Interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall be not more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings. That is, the number of Offered Membership Interests that each other Member shall be entitled to purchase hereunder shall be determined by multiplying the total Offered Membership Interests by a fraction, the numerator of which shall be the number of Membership Interests then owned by the purchasing Member (or which the purchasing Member shall have the right to acquire by reason of a then pending offer to purchase) and the denominator of which shall be the number of Membership Interests then owned by all purchasing Members then participating in such offer.

(d) Unless the Company and the other Members agree to purchase the Offered Membership Interests pursuant to the terms hereof, their right to purchase said interests shall terminate and the Offering Member shall be free for a period of ninety (90) days to sell the Offered Membership Interests to the third person at the same price and on the same terms set forth in the Offering Member's notice of intended sale. Any person who acquires such Membership Interests shall automatically be bound by the terms of this Agreement (including the Put/Call provisions set forth in the Membership Interest Agreement) and shall be required to join in and execute and deliver a copy of this Agreement as an additional Member party. If the Membership Interests are not sold by the Offering Member within the ninety (90) day period, all rights to transfer the Membership Interests free of the foregoing restrictions shall terminate.

12.3 Sale of Membership Interests Upon Death.

(a) Following the death of a Member, the Company and the remaining Members shall have the option to purchase all of the Membership Interests held by the deceased Member on the date of his death, and the estate of the deceased Member shall be obligated to sell all of its said interests all on terms herein provided if the Company or the remaining Members exercise their respective options hereunder.

(b) The Company shall have the right, within thirty days after receipt of notice of the death of a Member, to notify the estate of such Member of its election to purchase. In such notice, the Company shall also fix a Closing Date not more than thirty days (30) after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests of the deceased Member, the Company shall promptly communicate the same to the other Members who shall have thirty (30) days from the date of such notice within which to notify the estate of the deceased Member and the Company of their respective elections to purchase all of such interests. The other Members shall have the option of purchasing interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall not be more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings, calculated in the manner set forth in Section 12.2(c) hereof.

(d) The price to be paid for the purchased Membership Interest under this Paragraph shall be the Applicable Percentage of Total Equity Value (as defined in the Membership Interests Agreement). The representative of the estate of a deceased Member shall cooperate with the Company and the remaining Members to effectuate the purposes of this Agreement.

12.4 Effectiveness of Transfer. Any sale or gift of any of a Member's Membership Interest in the Company will take effect on the first day following receipt by the Members of written notice that all of the requirements of the above Sections have been met.

ARTICLE XIII
ADDITIONAL MEMBERS

13.1 Admission of New Members. From the date of the formation of the Company, any Person or Entity acceptable to the Members by their unanimous vote thereof may become a Member in the Company by the issuance by the Company of a Membership Interest for such consideration as the members by their unanimous vote shall determine, or by being a permitted transferee of an existing Membership Interest in accordance with Article XII.

13.2 Allocations to New Members. No new Members shall be entitled to any retroactive allocation of any item of income, gain, loss, deduction or credit of the Company. The Managers may, at their option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of items of income, gain, loss, deduction or credit to a new Member for that portion of the Company's tax year in which a new Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE XIV
DISSOLUTION AND TERMINATION

14.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events, and only such events:

(i) when the period fixed for the duration of the Company shall expire pursuant to Section 2.5 hereof;

(ii) by the unanimous written agreement of all Members;

(iii) the entry of a decree of judicial dissolution under Section 35-5 of the Illinois Act; or

(iv) administrative dissolution under Section 35-25 of the Illinois Act.

(b) Dissolution of the Company shall be effective on the day on which an event described above occurs, but the Company shall not terminate until Articles of Dissolution shall be filed with the Secretary of State of the State of Illinois and the assets of the Company are distributed as provided in Section 14.4 below. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Members shall continue to be governed by this Operating Agreement.

14.2 Winding Up. The Members who have not wrongfully dissolved the Company may wind up the Company's affairs, but a Court, upon cause shown, may wind up the Company's affairs upon application of any Member or his legal representative, and in connection therewith, may appoint a liquidating trustee.

14.3 Distribution of Assets Upon Winding Up. The assets of the Company shall be distributed as follows:

(a) to creditors, in the order of priority as provided by law, including all Members who are creditors to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provisions for payment thereof); and

(b) to Members and former Members in accordance with the positive balances in their Capital Accounts.

14.4 Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, articles of dissolution shall be executed by one or more authorized persons, which articles of dissolution shall set forth the information required by the Illinois Act. Articles of dissolution shall be filed with the Illinois Secretary of State to accomplish the cancellation of the Articles of the Company upon the dissolution and completion of the winding up of the Company.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Operating Agreement shall be in writing and shall be deemed to have been given when actually received. Any such notice, demand or communication may be given by mail, express package service, telex or telefax and shall be addressed to Member at the addresses shown in Article IV, and/or to the Company at its principal office or to such other address as a party may from time to time designate by notice to the other parties.

15.2 Application of Illinois Law. This Operating Agreement, and the application of interpretation hereof, shall be subject to and is governed exclusively by its terms and by the laws of the State of Illinois, and specifically the Illinois Act.

15.3 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

15.4 Amendment. This Operating Agreement may be amended at any time in writing by the Members owning a Majority Interest.

15.5 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.6 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

15.7 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

15.8 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from registered effect of an original violation.

15.9 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

15.10 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

15.12 No Third Party Beneficiaries. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any third party who is not a party to this Operating Agreement.

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

15.14 Dispute Resolution

(a) General. Any disputes arising under this Agreement between the Company and any Member or between any Members shall be resolved through the procedures specified in this Section 15.14. The resolution of any disputes under this Section 15.14 (whether through the negotiation, mediation or arbitration

procedures specified herein) shall be final and binding upon the parties to such dispute, and specifically enforceable under applicable law by a court of competent jurisdiction. The procedures set forth in this Section 15.14 shall be initiated by the delivery of a written notice by the Company or a Member to the other party or parties to the dispute stating that the claiming party has a claim against the other party or parties, describing in reasonable detail the nature and amount of such claim and the basis thereof.

(b) Negotiation. Prior to the submission of any dispute to the mediation or arbitration procedures specified in subsections (c) or (d) of Section 15.14, the parties to the dispute shall make every effort in good faith to resolve such dispute by mutual agreement within thirty (30) days following the initiation of the procedures set forth in Section 15.14 (the date on which such thirty days expires, or any extension of such period as the parties to the dispute may mutually agree in writing, is hereby called the "Claim Resolution Deadline Date").

(c) Mediation Procedures. If the parties to the dispute have not resolved such dispute pursuant to the procedures set forth in subsection (b) of the Section 15.14 by the Claim Resolution Deadline Date, then the mediation procedures provided in this subsection (c) shall apply. Within thirty (30) days after the Claim Resolution Deadline Date, the parties to the dispute shall jointly appoint an independent and impartial mediator ("Mediator"). The Mediator shall establish the procedures designed to facilitate the mediation of such dispute, shall meet the representatives of the parties to the dispute and take other appropriate actions to facilitate a negotiated or other voluntary resolution of such dispute. If the parties have not resolved the dispute within thirty (30) days after the appointment of the Mediator or such later date as to which they mutually agree in writing (the "Mediation Deadline Date"), then the arbitration procedures specified in subsection (d) shall apply.

(d) Arbitration. If the parties to the dispute have not resolved the dispute by the Mediation Deadline Date, the parties to the dispute shall jointly select an independent and impartial arbitrator (the "Arbitrator"). The Arbitrator shall have such expertise as the parties to the dispute agree is relevant. The Arbitrator may be removed only by unanimous action of the parties to the dispute. If the parties to the dispute are unable to agree upon the selection of the Arbitrator within thirty (30) days after the Mediation Deadline Date or such later date as to which they mutually agree in writing, application shall be made to the American Arbitration Association in Chicago, Illinois ("AAA"), for the selection and appointment of the Arbitrator. The arbitration proceeding shall be conducted in accordance with the then-current rules of the AAA for arbitration of business disputes, to the extent that such rules are not inconsistent with Section 15.14. The Arbitrator may modify the procedures set forth in such rules from time to time with the prior approval of the parties to the dispute. The place of such arbitration shall be Chicago, Illinois, or such other location agreed to by the parties to the dispute. The arbitration proceedings shall be concluded within one hundred eighty (180) days of the appointment of the Arbitrator or such later date as the parties to the dispute mutually agree in writing. Within thirty (30) days of the conclusion of the arbitration proceedings, the Arbitrator shall present to the parties to the dispute a written statement of the determination regarding the dispute. Failure to submit a position by any party to the dispute shall be deemed an acceptance by such party of the other party's position, and shall constitute a final, binding and specifically enforceable decision against such party.

(e) Costs and Expenses. The fees and expenses of the Mediator and/or Arbitrator shall be shared equally by each party to the dispute. Except as otherwise provided in the proceeding sentence, each party to the dispute shall bear all costs and expenses incurred by it in connection with the conduct of the procedures described in Section 15.14.

(f) Confidentiality. Any dispute resolution proceeding (including without limitation any mediation proceeding) held pursuant to Section 15.14 shall not be public. In addition, except as may be required by law, each party to the dispute, their respective representatives, the Mediator and the Arbitrator shall strictly maintain the confidentiality of all issues, disputes, arguments, positions, interpretations, awards, determinations, enclosures, exhibits, summaries, compilations, studies, analyses, notes, documents, statements, schedules and other similar items associated therewith.

15.15 Investment Representations. The undersigned Members understand (i) that the Membership Interests issued pursuant to this Operating Agreement

have not been registered under the Securities Act of 1933 or any state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (ii) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment, and (iii) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution.

Accordingly, each Member hereby confirms to the Company that such Member is acquiring a Membership Interest for such own Member's account, for investment and not with a view to the resale or distribution thereof without complying with an exemption for registrations under the Securities Acts. Each Member agrees not to transfer, sell or offer or sale any of portion of the Membership Interest unless there is an effective registration or other qualification relating thereto under the Securities Acts or unless the holder of the Membership Interest delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Securities Acts is not required in connection with such transfer, offer or sale. Each Member understands that the Company is under no obligation to register the Membership Interests or to assist such Member in complying with any exemption from registration under the Securities Acts if such Member should at a later date wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission.

Prior to acquiring a Membership Interest, each Member has made an investigation of the Company and its business and the Company has made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire a Membership Interest. Each Member considers himself to be a person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's investment in a Membership Interest.

15.16 Execution of Notes, Checks, Contracts and Other Instruments. Subject to Section 6.6 hereof, all notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the Company whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the Company, may be signed by the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Managers upon any other person or persons. Any person having authority to sign on behalf of the Company may delegate, from time to time, by instrument in writing, all or any part of such authority may be general or confined to specific instances. Facsimile signatures on checks may be used if authorized by the Board of Managers.

IN WITNESS WHEREOF, the parties hereto have caused their signatures, or have caused the signatures of their duly authorized representatives, to be set forth below on the day and year first above written.

TKZ HOLDING CORP.

By: David M. Kelly

Its: President

TUKAIZ LITHO, INC.

By: Frank Defino, Sr.

Frank Defino, President

EXHIBIT 10.4

TUKAIZ COMMUNICATIONS, L.L.C.
OPERATING AGREEMENT
January 31, 1997

TABLE OF CONTENTS

	Page	
ARTICLE I	DEFINITIONS	1
ARTICLE II	FORMATION OF COMPANY; MEMBERSHIP INTERESTS	4
2.1	Formation	4
2.2	Name	4
2.3	Principal Place of Business	4
2.4	Registered Office and Registered Agent	4
2.5	Term	5
2.6	Certificates of Membership Interests	5
2.7	Certificates	5
2.8	Transfer of Certificates	5
2.9	Lost, Stolen, Destroyed or Mutilated Certificates	5
2.10	Regulations Relating to Shares	6
2.11	Transfer of Certificates	6
ARTICLE III	BUSINESS OF COMPANY	6
3.1	Permitted Businesses	6
ARTICLE IV	NAMES AND ADDRESSES OF MEMBERS	6
ARTICLE V	RIGHTS AND DUTIES OF BOARD OF MANAGERS	7
5.1	Management	7
5.2	Number, Election, Tenure and Qualifications	7
5.3	Manner of Acting	8
5.4	Certain Powers of Managers	8
5.5	Managers Have No Exclusive Duty to Company	10
5.6	Bank Accounts	10
	Page	
5.7	Resignation	10
5.8	Removal	10
5.9	Vacancies	10

ARTICLE VI OFFICERS	11	
6.1 Officers of Company	11	
6.2 Election and Term of Office	11	
6.3 Removal	11	
6.4 Vacancies	11	
6.5 Chairman	11	
6.6 President	12	
6.7 The Vice Presidents	13	
6.8 The Treasurer	13	
6.9 The Secretary	13	
6.10 Assistant Treasurers and Assistant Secretaries	14	
6.11 Salaries	14	
ARTICLE VII MEETINGS OF MEMBERS		14
7.1 Meetings	14	
7.2 Place of Meetings	14	
7.3 Notice of Meeting	15	
7.5 Record Date	15	
7.6 Quorum	15	
7.7 Manner of Acting	15	
7.8 Proxies	16	
7.9 Action by Members Without a Meeting	16	
7.10 Waiver of Notice	16	
		Page
ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES	16	
8.1 Standard of Care	16	
8.2 Indemnification of Managers, Officers and Employees	17	
ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS		17
9.1 Limitation of Liability	17	
9.2 List of Members	17	
9.3 Company Books	17	
9.4 Priority and Return of Capital	18	
ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS		18
10.1 Initial Capital Contributions	18	
10.2 Additional Capital Contributions	18	
10.3 Capital Accounts	18	

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS 20

11.1	Allocations of Net Profits and Net Losses	20
11.2	Special Allocations to Capital Accounts	20
11.3	Distributions	23
11.4	Accounting Principles	24
11.5	Interest on and Return of Capital Contributions	24
11.6	Loans to Company	24
11.7	Accounting Period	24
11.8	Records and Reports	24
11.9	Returns and Other Elections	24
11.10	Tax Matters Partner	25

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY 25

12.01	Restriction on Transfer of Membership Interests	25
	Page	
12.02	Voluntary Sales	25
12.04	Sale of Membership Interests Upon Death	27
12.5	Effectiveness of Transfer	28

ARTICLE XIII ADDITIONAL MEMBERS 28

13.1	Admission of New Members	28
13.2	Allocations to New Members	28

ARTICLE XIV DISSOLUTION AND TERMINATION 28

14.1	Dissolution	28
14.2	Winding Up	29
14.3	Distribution of Assets Upon Winding Up	29
14.4	Articles of Dissolution	29

ARTICLE XV MISCELLANEOUS PROVISIONS 30

15.1	Notices	30
15.2	Application of Illinois Law	30
15.3	Waiver of Action for Partition	30
15.4	Amendment	30
15.5	Execution of Additional Instruments	30
15.6	Construction	30
15.7	Headings	31
15.8	Waivers	31

15.9	Rights and Remedies Cumulative	31
15.10	Severability	31
15.11	Heirs, Successors and Assigns	31
15.12	Creditors	31
15.13	Counterparts	31
15.14	Investment Representations	33

OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made and entered into this 31st day of January, 1997, among TKZ HOLDING CORP. ("TKZ") and TUKAIZ LITHO, INC. ("Tukaiz") (together, the "Members").

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

- (a) The Articles shall mean the Articles of Organization of the Company as filed by the organizer of the Company with the Illinois Secretary of State, as the same may be amended from time to time.
- (b) "Board of Managers" has the meaning set out in Section 5.1.
- (c) "Capital Account" as of any given date shall mean the Capital Contributions to the Company by a Member as adjusted up to the date in question pursuant to Article X.
- (d) "Capital Contribution" shall mean any contribution to the capital of the Company in cash or property by a Member whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.
- (f) "Company" shall refer to Tukaiz Communications, L.L.C.
- (g) "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the debit to such Capital Account for the items described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) and (6). This definition of Deficit Capital Account is intended to comply with the provision of Treasury Regulations 1.704-1(b)(2)(ii)(d), and will be interpreted consistently with those provisions.
- (h) "Illinois Act" shall mean the Illinois Limited Liability Company Act at 805 Ill. Comp. Stat. 180/1-1, et seq. as the same may be amended from time to time.
- (i) "Distributable Cash" shall mean all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred in the normal operation of the Company's business; and (iii) such reserves as the Managers or their designees deem reasonably necessary for the proper operation of the Company's business.
- (j) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, foreign trust or foreign business organization.
- (k) "Fiscal Year" shall mean the Company's fiscal year, which shall end on September 30 each year.

- (l) "Majority Interest" shall mean the affirmative vote of Members holding more than fifty percent (50%) of the aggregate Percentage Interests in the Company.
- (m) "Manager" shall mean one or more members of the Board of Managers of the Company. References to the Managers in the singular or as him, her, it, itself or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- (n) "Member" shall mean, in connection with the formation of the Company, each of the parties who executes a counterpart of this Operating Agreement as a Member and, after the formation of the Company, each of the parties who may be admitted as a Member in accordance with Section 13.1 of this Operating Agreement.
- (o) "Membership Interest" shall mean a Member's entire interest in the Company, including the right to participate in the management of the business and affairs of the Company, including the right to vote on, consent to, or otherwise participate in any decision or action of or by the Members granted pursuant to this Operating Agreement and the Illinois Act.
- (p) "Membership Interest Agreement" shall mean the Membership Interest Agreement dated as of January 22, 1997 among TKZ, Tukaiz, Frank Defino, Sr. and the Company, as the same may be amended from time to time.
- (q) "Net Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.
- (r) "Net Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.
- (s) "Reserves" shall mean funds set aside or amounts allocated to reserves which shall be maintained in amounts deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.
- (t) "Offered Membership Interests" has the meaning set forth in Section 12.2(a).
- (u) "Offering Member" has the meaning set forth in Section 12.2(a).
- (v) "Resignation" has the meaning set out in Section 9.5(a).
- (w) "Operating Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.
- (x) "Percentage Interest" shall mean for any Member, the percentage of Membership Interest in the Company as set forth on Exhibit A, as the same may be changed from time to time upon the acquisition or disposition of Membership Interests, the redemption of Membership Interests, or the addition or deletion of Members.
- (y) "Person" shall mean any individual or entity, and their heirs, executors, administrators, legal representatives, successors and assigns where the context so permits.
- (z) "Transferring Member" shall mean (i) any Member who sells, assigns, pledges, hypothecates, transfers, exchanges or otherwise transfers for consideration all or any portion of his Membership Interest or (ii) any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of his Membership Interest.
- (aa) "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate and the corresponding sections of any regulations subsequently

issued that amend or supersede such regulations.

Capitalized terms used herein and not defined herein shall have the respective meanings given to those terms in the Membership Interest Agreement.

ARTICLE II FORMATION OF COMPANY; MEMBERSHIP INTERESTS

2.1 Formation. Tukaiz Communications, L.L.C. has been organized as an Illinois limited liability company by executing and delivering the Articles to the Illinois Secretary of State in accordance with and pursuant to the Illinois Act.

2.2 Name. The name of the Company is Tukaiz Communications, L.L.C.

2.3 Principal Place of Business. The principal place of business of the Company shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131. The Company may locate its place of business at any other place or places as the Board of Managers may deem advisable.

2.4 Registered Office and Registered Agent. The company's initial registered office shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131 and the name of its initial registered agent shall be Frank Defino, Sr..

2.5 Term. The term of the Company shall be fifty (50) years from and after the date of the formation of the Company in accordance with and pursuant to the Illinois Act, unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Illinois Act.

2.6 Certificates of Membership Interests. The Board of Managers of the Company may make such rules and regulations as they may deem appropriate concerning the issuance and registration of Membership Interests in the Company. The Board of Managers may authorize the issuance of any Membership Interest without certificates. Such authorization shall not affect Membership Interests already represented by certificates until they are surrendered to the Company.

2.7 Certificates. If the Board of Managers authorizes the issuance of certificates, such certificate or certificates shall be in such form as the Board of Managers may from time to time prescribe, and signed (in facsimile or otherwise as permitted by law) by the President or a Vice President and the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, which shall represent the number of Membership Interests owned by such holder. The Board may authorize the issuance of certificates for fractional shares or, in lieu thereof, scrip or other evidence of ownership, which may (or may not) as determined by the Board entitle the holder thereof to voting, dividends or other rights of Members.

2.8 Transfer of Certificates. If the Board of Managers authorizes the issuance of certificates, transfers of Membership Interests of the Company shall be made on the books of the Company only upon surrender to the Company of the certificate or certificates for such Membership Interests properly endorsed by the holder or by his assignee, agent or legal representative, who shall furnish proper evidence of assignment, authority or legal succession, or by the agent of one of the foregoing thereunto duly authorized by an instrument duly executed and filed with the Company, in accordance with regular commercial practice.

2.9 Lost, Stolen, Destroyed or Mutilated Certificates. New certificates for Membership Interests may be issued to replace certificates lost, stolen, destroyed or mutilated upon such conditions as the Board of Managers may from time to time determine.

2.10 Regulations Relating to Membership Interests. The Board of Managers shall have power and authority to make all such rules and regulations not inconsistent with the Operating Agreement as it may deem expedient concerning the issue, transfer and registration of certificates representing Membership Interests of the Company.

2.11 Holders of Record. The Company shall be entitled to treat the holder of record of any Membership Interests of the Company as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interests on the part of any other person, whether or not it shall have express or other notice

thereof, except as otherwise expressly provided by law.

ARTICLE III
BUSINESS OF COMPANY

3.1 Permitted Businesses. The business of the Company shall be to:

(a) engage in the business of digital prepress serving premedia, including multimedia, digital photography, web site service and on-demand digital printing; and

(b) to carry on any other lawful business or activity in connection with the foregoing or otherwise, and to have and exercise all of the powers, rights and privileges which a limited liability company organized pursuant to the Illinois Act may have and exercise.

ARTICLE IV
NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the initial Members are as follows:

NAME	ADDRESS
TKZ Holding Corp.	c/o Matthews International Corporation Two NorthShore Center Pittsburgh, PA 15212 Attn.: President
Tukaiz Litho, Inc.	c/o Frank Defino, Sr. 2917 N. Latoria Lane Franklin Park, IL 60131

ARTICLE V
RIGHTS AND DUTIES OF BOARD OF MANAGERS

5.1 Management. The business and affairs of the Company shall be managed by its "Board of Managers". The Board of Managers shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business and objectives. No one Manager may take or effect any action on behalf of the Company or otherwise bind the Company in the absence of a formal delegation of authority by the Board of Managers to such Manager. Unless authorized to do so by this Operating Agreement or by the Managers of the Company, no Member, officer, employee, attorney-in fact or other agent shall have any power or authority to bind the Company.

5.2 Number, Election, Tenure and Qualifications. The number of Managers which shall constitute the first Board of Managers shall be two (2). Thereafter, the number of Managers of the Company shall be fixed from time to time by the Members owning a Majority Interest, or as otherwise provided in the Membership Interest Agreement. In no instance shall there be less than one (1) Manager. Managers shall be elected by the vote of a Majority Interest of the Members. Each Manager shall hold office until his successor shall have been elected and qualified. Managers need not be Members of the Company.

5.3 Regular Meetings; Notice. Regular meetings of the Board of Managers shall be held at such time and place as shall be designated by the Board of Managers from time to time. Notice of such regular meetings shall not be required, except as otherwise expressly required herein or by law, and except that whenever the time or place of regular meetings shall be initially fixed and then changed, notice of such action shall be given promptly by telephone or otherwise to each Manager not participating in such action. Any business may be transacted at any regular meeting.

5.4 Special Meetings; Notice. Special meetings of the Board of Managers may be called at any time by the Board itself, or by the chairman or the president, or by at least one-fourth of the Managers, to be held at such place and day and hour as shall be specified by the person or persons calling the meeting. Notice of every special meeting of the Board of Managers shall be given by the Secretary to each Manager at least two days before the meeting. Any business may be transacted at any special meeting regardless of whether the notice calling such meeting contains a reference thereto, except as

otherwise required by law.

5.5 Manner of Acting. The Board of Managers shall meet at least once each calendar year. The Managers may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of Managers. If no designation is made, the place of meeting shall be the principal place of business of the Company. A majority of the Board of Managers shall constitute a quorum at meetings of the Board of Managers. If a quorum is present, the affirmative vote of a majority of those in attendance shall constitute the act of the Board of Managers, unless the vote of Members is otherwise required by this Operating Agreement, the Illinois Act or the Articles. Any Manager may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by means of such equipment shall constitute presence in person at such meeting. Action may be taken without a meeting if the action is evidenced by one or more written consents signed by each Manager.

5.6 Presumption of Assent. Minutes of each meeting of the Board shall be made available to each Manager at or before the next succeeding meeting. Each Manager shall be presumed to have assented to such minutes unless his objection thereto shall be made to the Secretary at or within two days after such succeeding meeting.

5.7 Certain Powers of Managers. Without limiting the generality of Section 5.1, the Board of Managers (as a whole) shall have power and authority (and no individual Manager shall alone have such power and authority; provided that this shall not prevent a person who is both a Manager and an officer from acting as an officer hereunder), after due action, on behalf of the Company:

- (a) to acquire property from any Person as the Managers may determine, whether or not such Person is directly or indirectly affiliated or connected with any Manager or Member;
- (b) to borrow money for the Company on such terms as the Managers deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Managers, or to the extent permitted herein, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Managers;
- (c) to purchase liability and other insurance to protect the Company's property and business;
- (d) to hold and own Company real and personal properties in the name of the Company;
- (e) to invest Company funds;
- (f) to execute on behalf of the Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments, bills of sale; leases; and any other instruments or documents necessary to the business of the Company;
- (g) to employ accountants, legal counsel, agents or other experts to perform services for the Company;
- (h) to enter into any and all other agreements on behalf of the Company, in such forms as the Managers may approve;
- (i) to appoint such agents, officers and delegates as may be necessary or appropriate to the conduct of the business; and
- (j) to do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

5.8 Managers Have No Exclusive Duty to Company. A Manager shall not be required to manage the Company as his or her sole and exclusive function and he or she may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company, a Member nor any other Manager shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of

the Manager or in the income or proceeds derived therefrom.

5.9 Bank Accounts. The Board of Managers may from time to time authorize the opening of bank accounts in the name and on behalf of the Company and the Managers shall determine who shall have the signatory power over such accounts.

5.10 Resignation. Any Manager of the Company may resign at any time by giving written notice to the Members of the Company and the other Managers of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later date specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.11 Removal. All or any lesser number of Managers may be removed at any time, with or without cause, by the Members owning a Majority Interest. The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.12 Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company may be filled by the Members owning a Majority Interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the Members at a meeting of Members called for that purpose or by the Members' unanimous written consent. A Manager elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and shall hold office until the expiration of such term and until his successor shall be elected and qualified or until his earlier death, resignation or removal. A Manager chosen to fill a position resulting from an increase in the number of the Board of Managers shall hold office until his successor shall be elected and qualified, or until his earlier death, resignation or removal.

ARTICLE VI OFFICERS

6.1 Officers of the Company. The Company shall have officers consisting of a chairman, a president, a treasurer and a secretary, and such vice presidents, assistant vice presidents, assistant treasurers, assistant secretaries or other officers or agents as may be elected and appointed by the Board of Managers. Any two or more offices may be held by the same person. The officers shall act in the name of the Company and shall supervise its operation under the direction and management of the Board of Managers, as further described below.

6.2 Election and Term of Office. The officers of the Company shall be elected annually by the Board of Managers. Vacancies may be filled or new offices created and filled at any meeting of the Board of Managers. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

6.3 Removal. Any officer or agent may be removed by the Board of Managers whenever in their judgment the best interests of the Company would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

6.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Managers for the unexpired portion of the term.

6.5 Chairman. If there shall be a chairman, he or she shall be elected from among the Managers, shall preside at all meetings of the Members and of the Board or provided herein, and shall have such other powers and duties as from time to time may be prescribed by the Board.

6.6 President. The president shall be the chief executive officer of the Company and shall be in general and active charge of the entire business and all the affairs of the Company and shall have the powers and perform the duties incident to that position, including the power to bind the Company in accordance with this Section 6.6. He or she shall have such other powers and

perform such duties as are specified in this Operating Agreement, including those items set forth in Section 5.7 hereof, and as may from time to time be assigned to him or her by the Board of Managers of the Company.

The president shall have general and active management of the business of the Company and shall see that all orders and resolutions of the Board of Managers of the Company are carried into effect. The president may execute bonds, mortgages and other contracts (whenever requiring a seal, under the seal of the Company), except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Managers of the Company to some other officer or agent of the Company. The president shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Company, and such decision as to any matter affecting the Company shall be final and binding as between the officers of the Company subject only to the Board of Managers of the Company.

Notwithstanding the foregoing or the provisions of Section 5.7 hereof, without the prior consent and authorization of the Board of Managers, neither the president nor any other officer of the Company have the power or authority to, and none of them shall, enter into any of the following transactions:

- (i) the sale, purchase or lease of any capital assets for an aggregate amount in excess of \$100,000;
- (ii) the sale or purchase of any fixed assets, business or product line for an aggregate amount in excess of \$100,000;
- (iii) any other contract, including a sales contract, supply contract or employment agreement, for an aggregate amount in excess of \$100,000; and
- (iv) the incurrence of indebtedness for borrowed money by the Company or the pledging or permitting of any liens on the assets of the Company in connection therewith, for an amount in excess of \$100,000.

6.7 The Vice Presidents. In the absence of (or at the request of) the chairman, president or in the event of his or her inability or refusal to act, a vice president (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned to him by the chairman, president or by the Board of Managers of the Company.

6.8 The Treasurer. The treasurer may be the chief financial officer of the Company. The treasurer shall not be required to give a bond for the faithful discharge of his or her duties. He or she shall: (i) have charge and custody of and be responsible for all funds and securities of the Company; (ii) be charged with primary responsibility for dealing with National Securities Exchanges or other exchanges in which the Company may hold a membership or on which the Company may trade; (iii) 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 banks, trust companies or other depositories as shall be selected by the Board of Managers of the Company; and (iv) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the Board of Managers of the Company.

6.9 The Secretary. The secretary shall: (a) keep the minutes of the Board of Managers' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Operating Agreement or as required by law; (c) be custodian of Company records; (d) keep a register of the post office address of each Member which shall be furnished to the secretary by such Member; (e) sign with the chairman, the president or a vice president (as designated by the chairman), any certificates for Membership Interests, the issue of which shall have been authorized by resolution of the Board of Managers; (f) certify the resolutions of the Board of Managers and other documents to the Company as true and correct thereof; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chairman, president, a vice president (as designated by the chairman) or by the Members of the Company.

6.10 Assistant Treasurers and Assistant Secretaries. The assistant

treasurers shall respectively, if required by the Board of Managers of the Company, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Managers of the Company shall determine. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the chairman, the president or the Board of Managers of the Company. Each officer of the Company by virtue of his or her office shall be an Assistant Secretary.

6.11 Salaries. The salaries and other compensation of the officers and other employees of the Company shall be fixed from time to time by the Board of Managers, and no officer or employee shall be prevented from receiving such salary by reason of the fact that he is also a Manager or Member of the Company.

6.12 Delegation of Duties. The Board of Managers may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select.

ARTICLE VII MEETINGS OF MEMBERS

7.1 Meetings. Meetings of the Members, for any purpose or purposes, may be called by any Member or Members owning at least twenty-five percent (25%) of the aggregate Percentage Interests in the Company or by any Manager.

7.2 Place of Meetings. The Members may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of the Members. If no designation is made, the place of meeting shall be the principal place of business of the Company.

7.3 Notice of Meeting. Except as provided in Section 7.4, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five (5) nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Managers or Member or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at his address as it appears on the books of the Company, with postage thereon prepaid.

7.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other Purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.5 Quorum. Members owning a Majority Interest, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Percentage Interests so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Percentage Interests whose absence would cause less than a quorum.

7.6 Manner of Acting. If a quorum is present, the affirmative vote of Members owning a Majority Interest present in person or represented by proxy shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Illinois Act, by the Articles or by this Operating Agreement.

7.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managers of the Company

before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

7.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and delivered to the Managers of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

7.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES

8.1 Standard of Care. No Manager or officer shall be liable to any Member or to the Company by reason of the actions of such person in the conduct of the business of the Company except for fraud, gross negligence or willful misconduct, and if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

8.2 Indemnification of Managers, Officers and Employees. The Company shall, to the fullest extent to which it is empowered to do so by the Illinois Act or any other applicable law, indemnify and make advances for expenses to any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Manager, officer or employee of the Company, against losses, damages, expenses (including attorneys' fees), judgments, fines and amounts reasonably incurred by him in connection with such action, suit or proceeding.

ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS

9.1 Limitation of Liability.

A Member will not be personally liable to creditors of the Company for any debts, obligations, liabilities or losses of the Company, whether arising in contract, tort or otherwise, beyond such Member's Capital Contributions.

9.2 List of Members. Upon written request of any Member, the Managers shall provide a list showing the names, addresses and Membership Interests of all Members.

9.3 Company Books. In accordance with Section 11.8 herein, the Board of Managers shall maintain and preserve, during the term of the Company, all accounts, books and other relevant Company documents. Upon reasonable written request, each Member and his duly authorized representative shall have the right, during ordinary business hours as reasonably determined by the Board of Managers, to inspect and copy such Company documents (at the requesting Member's expense) which the Managers, in their discretion, deem appropriate for any purpose reasonably related to the requesting Member's Membership Interest.

9.4 Priority and Return of Capital. Except as may be expressly provided in Article XI, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to the repayment by the Company of loans (as distinguished from Capital Contributions) which a Member has made to the Company.

9.5 Resignation. No Member shall have the right to voluntarily resign as a Member of the Company prior to the dissolution and winding up of the Company, except in connection with the Put/Call Exercise under the Membership Interest Agreement, and any resignation other than in such connection (a "Resignation")

by a Member shall constitute a breach of this Operating Agreement and subject the Member submitting such Resignation to damages for breach of this Operating Agreement by such Member.

ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

10.1 Initial Capital Contributions. Each Member shall contribute such amount set forth on Exhibit A as its Initial Capital Contribution.

10.2 Additional Capital Contributions. No Member shall be required to make any additional Capital Contributions. To the extent approved by Members owning a Majority Interest, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire.

10.3 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by the Member to the Company; (2) the fair market value of property contributed by the Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations of Net Profits and Net Losses; and (4) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to the Member by the Company; (2) the fair market value of property distributed to the Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(b) of the Code; and (4) allocations to the account of such Member losses and deductions as set forth in such Treasury Regulations, taking into account adjustments to reflect book value.

(b) In the event of a permitted sale or exchange of a Membership Interest in the Company pursuant to Article XII hereof, the Capital Account of the Transferring Member shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest in accordance with Treasury Regulations 1.704-1(b)(2)(iv).

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 10.3 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the Company determines that the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 10.3 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 10.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members as set forth in this Operating Agreement.

(d) Except as otherwise required in the Illinois Act (and subject to Sections 10.1 and 10.2), no Member shall have any liability to restore all or any deficit balance in such Member's Capital Account.

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS

11.1 Allocations of Net Profits and Net Losses. The Net Profits and Net Losses of the Company shall be allocated as follows:

(a) Net Profit. The Net Profits for a fiscal year or other period of the Company shall be allocated to the Members in Accordance with their respective Membership Interests.

(b) Net Losses. The Net Losses, if any, for a fiscal year or other period of the Company shall be allocated in the Members in accordance with their respective Membership Interests.

11.2 Special Allocations to Capital Accounts. Notwithstanding Section 11.1 hereof:

(a) No allocations of loss, deduction and/or expenditures described in Section 705(a)(2)(B) of the Code shall be charged to the Capital Account of any Member if such allocation would cause such Member to have a Deficit Capital Account. The amount of the loss, deduction and/or Section 705(a)(2)(B) of the Code expenditure which would have caused a Member to have a Deficit Capital Account shall instead be charged to the Capital Account of any Members which would not have a Deficit Capital Account as a result of the allocation, in proportion to their respective Capital Contributions, or, if no such Members exist, then to the Members in accordance with their interests in Company Net Profits pursuant to Section 11.1.

(b) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially credited to the Capital Account of such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 11.2(b) be interpreted to comply with the alternate test for economic effect set forth in Treasury Regulations 1.704-1(b)(2)(ii)(d).

(c) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Treasury Regulations 1.704-1(b)(2)(ii)(c) and such Member's share of minimum gain as defined in Treasury Regulations 1.704-2(g)(l) (which is also treated as an obligation to restore in accordance with Treasury Regulations 1.704-1(b)(2)(ii)(d)), the Capital Account of such Member shall be specially credited with items of Membership income (including gross income) and gain in the amount of such excess as quickly as possible.

(d) Notwithstanding any other provision of this Section 11.2, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulations 1.704-2(d) during a taxable year of the Company, then, the Capital Account of each Member shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 11.2(d) is intended to comply with the minimum gain chargeback requirement of Treasury Regulations 1.704-2 and shall be interpreted consistently therewith.

(e) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) of the Code which are attributable to any nonrecourse debt of the Company and are characterized as partner nonrecourse deductions under Treasury Regulations 1.704-2(i) shall be allocated to the Members' Capital Accounts in accordance with Treasury Regulations 1.704-2(i).

(f) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Treasury Regulations 1.704-2(b)), such deductions shall be allocated to the Members in accordance with, and as part of, the allocations of Company profit or loss for such period.

(g) In accordance with Section 704(c) of the Code, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income 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 and its fair market value at the time of contribution.

(h) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five (5) years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Member shall be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(i) In connection with a Capital Contribution of money or other property (other than a de minimis amount) by a new or existing Member, or in connection

with the liquidation of the Company, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property (including intangible assets) in accordance with Treasury Regulations 1.704-1(b)(2)(iv)(f). If, under Treasury Regulations 1.704-1(b)(2)(iv)(f), Company property that has been revalued is properly reflected in the Capital Accounts and on the books of the Company at a book value that differs from the adjusted tax basis of such property, then depreciation, depletion, amortization and gain or loss with respect to such property shall be shared among the Members' in a manner that takes account of the variation between the adjusted tax basis of such property and its book value, in the same manner as variations between the adjusted tax basis and fair market value of property contributed to the Company are taken into account in determining the Members' shares of tax items under Section 704(c) of the Code.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 11.1(b), (c), and/or (d) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 11.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 11.1 and 11.2 shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article XI if the special allocations required by Sections 11.2(b), (c) and/or (d) had not occurred.

(k) All expenses of the Company in respect of interest paid on the Subordinated Convertible Note dated January 31, 1997 in the principal amount of \$5,500,000 from the Company to Venetian Investment Company shall be allocated as a deduction to TKZ.

11.3 Distributions. Interim distributions and liquidating distributions shall be made as follows:

(a) Subject to Section 25-25 of the Illinois Act, the Board of Managers may cause the Company to make interim distributions of Distributable Cash or other property at such time and for such amounts as determined by the Managers. All interim distributions of Distributable Cash or other property shall be made in proportion to the Members' respective Membership Interests.

(b) Upon liquidation of the Company, after settling accounts of creditors in the order described in Section 14.3, liquidating distributions will be made in accordance with the Members' positive Capital Account balances after taking into account all Capital Account adjustments of the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid within 60 days of the end of the taxable year of liquidation (or, if later, within ninety (90) days after the date of the liquidation).

(c) If a Member resigns under Section 9.5, the Company shall, subject to Section 11.3(d), pay to the withdrawing Member any positive balance in the withdrawing Member's Capital Account within ninety (90) days from the date of the Resignation. The remaining Members shall have the right in their sole discretion at any time within sixty (60) days of the Resignation to determine all Net Profits and Net Losses of the Company as of the date of such determination and to make appropriate credits and debits to the Members' Capital Accounts. The Capital Account of the withdrawing Member as of the date of determination shall be conclusively deemed to be the fair value of all his Membership Interest and the payment provided for in this Section 11.3(c) shall be the full and only consideration for the redemption of the withdrawing Member's Membership Interest.

(d) The Company may offset damages for breach of this Operating Agreement by a Member whose interest is liquidated (either upon the Resignation of the Member or the liquidation of the Company but not in the case of a Put/Call Exercise under the Membership Interest Agreement) against the amount otherwise distributable to such Member pursuant to this Section in addition to any remedies otherwise available under applicable law.

(e) A Member has no right to demand and receive any distribution in a form other than cash.

11.4 Accounting Principles. The Company's financial statements shall be prepared and its profits and losses shall be determined in accordance with generally accepted accounting principles applied on a consistent basis under the accrual method of accounting.

11.5 Interest on and Return of Capital Contributions. No Member shall be

entitled to interest on his Capital Contribution or a return of his Capital Contribution.

11.6 Loans to Company. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

11.7 Accounting Period. The Company's accounting period shall be the Fiscal Year.

11.8 Records and Reports. At the expense of the Company, the Managers shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

- (a) A current list of the full name and last known business residence, or mailing address of each Member;
- (b) A copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- (c) Copies of the Company's financial statements and income tax returns and reports, if any, for the three most recent years; and
- (d) Copies of the Company's currently effective written Operating Agreement.

11.9 Returns and Other Elections. The Managers shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

All elections permitted to be made by the Company under federal or state laws shall be made by the Managers in their sole discretion.

In recognition of the fact that the Company expects to be treated as a partnership for federal income tax purposes, the Members agree to treat their Membership Interests as partnership interests for U.S. federal and state income tax reporting purposes.

11.10 Tax Matters Partner. TKZ shall be designated the "Tax Matters Partner" (as defined in Section 6231 of the Code), and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including, without limitation, administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. The Members agree to cooperate with each other and to do or refrain from doing any and all things reasonably required to conduct such proceedings.

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY

12.1 Restriction on Transfer of Membership Interests. During the term of this Agreement, no Member shall sell, give, pledge, assign or otherwise dispose of any or all of his Membership Interests to any other person or entity except in accordance with the terms hereof.

12.2 Voluntary Sales.

(a) If a Member has received a bona fide written offer stated in terms of cash or cash equivalents from a prospective purchaser of any or all of his Membership Interests (herein referred to as the "Offered Membership Interests"), before accepting such offer, such Member (herein referred to as the "Offering Member") shall offer such Membership Interests in writing to the Company at the price and on the other terms and conditions contained in such offer; provided, however, that the Company shall not be required to meet any non-monetary terms of the offer, including without limitation delivery of other securities in exchange for the Offered Membership Interests. The notice given by the Offering Member shall contain a complete copy of the offer received by him from the bona fide offeror.

(b) The Company shall have the right, within thirty (30) days after receipt

of such notice, to notify the Offering Member of its election to purchase. In such notice, the Company shall also fix a closing date not more than thirty (30) days after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests offered, the Company shall promptly communicate the offer for the remaining interests to the other Members who shall have thirty (30) days from the date of such notice within which to notify the Offering Member and the Company of their respective elections to purchase. The other Members shall have the option of purchasing the Membership Interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall be not more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings. That is, the number of Offered Membership Interests that each other Member shall be entitled to purchase hereunder shall be determined by multiplying the total Offered Membership Interests by a fraction, the numerator of which shall be the number of Membership Interests then owned by the purchasing Member (or which the purchasing Member shall have the right to acquire by reason of a then pending offer to purchase) and the denominator of which shall be the number of Membership Interests then owned by all purchasing Members then participating in such offer.

(d) Unless the Company and the other Members agree to purchase the Offered Membership Interests pursuant to the terms hereof, their right to purchase said interests shall terminate and the Offering Member shall be free for a period of ninety (90) days to sell the Offered Membership Interests to the third person at the same price and on the same terms set forth in the Offering Member's notice of intended sale. Any person who acquires such Membership Interests shall automatically be bound by the terms of this Agreement (including the Put/Call provisions set forth in the Membership Interest Agreement) and shall be required to join in and execute and deliver a copy of this Agreement as an additional Member party. If the Membership Interests are not sold by the Offering Member within the ninety (90) day period, all rights to transfer the Membership Interests free of the foregoing restrictions shall terminate.

12.3 Sale of Membership Interests Upon Death.

(a) Following the death of a Member, the Company and the remaining Members shall have the option to purchase all of the Membership Interests held by the deceased Member on the date of his death, and the estate of the deceased Member shall be obligated to sell all of its said interests all on terms herein provided if the Company or the remaining Members exercise their respective options hereunder.

(b) The Company shall have the right, within thirty days after receipt of notice of the death of a Member, to notify the estate of such Member of its election to purchase. In such notice, the Company shall also fix a Closing Date not more than thirty days (30) after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests of the deceased Member, the Company shall promptly communicate the same to the other Members who shall have thirty (30) days from the date of such notice within which to notify the estate of the deceased Member and the Company of their respective elections to purchase all of such interests. The other Members shall have the option of purchasing interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall not be more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings, calculated in the manner set forth in Section 12.2(c) hereof.

(d) The price to be paid for the purchased Membership Interest under this Paragraph shall be the Applicable Percentage of Total Equity Value (as defined in the Membership Interests Agreement). The representative of the estate of a deceased Member shall cooperate with the Company and the remaining Members to effectuate the purposes of this Agreement.

12.4 Effectiveness of Transfer. Any sale or gift of any of a Member's Membership Interest in the Company will take effect on the first day following receipt by the Members of written notice that all of the requirements of the above Sections have been met.

ARTICLE XIII
ADDITIONAL MEMBERS

13.1 Admission of New Members. From the date of the formation of the Company, any Person or Entity acceptable to the Members by their unanimous vote thereof may become a Member in the Company by the issuance by the Company of a Membership Interest for such consideration as the members by their unanimous vote shall determine, or by being a permitted transferee of an existing Membership Interest in accordance with Article XII.

13.2 Allocations to New Members. No new Members shall be entitled to any retroactive allocation of any item of income, gain, loss, deduction or credit of the Company. The Managers may, at their option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of items of income, gain, loss, deduction or credit to a new Member for that portion of the Company's tax year in which a new Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE XIV
DISSOLUTION AND TERMINATION

14.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events, and only such events:

(i) when the period fixed for the duration of the Company shall expire pursuant to Section 2.5 hereof;

(ii) by the unanimous written agreement of all Members;

(iii) the entry of a decree of judicial dissolution under Section 35-5 of the Illinois Act; or

(iv) administrative dissolution under Section 35-25 of the Illinois Act.

(b) Dissolution of the Company shall be effective on the day on which an event described above occurs, but the Company shall not terminate until Articles of Dissolution shall be filed with the Secretary of State of the State of Illinois and the assets of the Company are distributed as provided in Section 14.4 below. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Members shall continue to be governed by this Operating Agreement.

14.2 Winding Up. The Members who have not wrongfully dissolved the Company may wind up the Company's affairs, but a Court, upon cause shown, may wind up the Company's affairs upon application of any Member or his legal representative, and in connection therewith, may appoint a liquidating trustee.

14.3 Distribution of Assets Upon Winding Up. The assets of the Company shall be distributed as follows:

(a) to creditors, in the order of priority as provided by law, including all Members who are creditors to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provisions for payment thereof); and

(b) to Members and former Members in accordance with the positive balances in their Capital Accounts.

14.4 Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, articles of dissolution shall be executed by one or more authorized persons, which articles of dissolution shall set forth the information required by the Illinois Act. Articles of dissolution shall be filed with the Illinois Secretary of State to accomplish the cancellation of the Articles of the Company upon the dissolution and completion of the winding up of the Company.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Operating Agreement shall be in writing and shall be deemed to have been given when actually received. Any such notice, demand or communication may be given by mail, express package service, telex or telefax and shall be addressed to Member at the addresses shown in Article IV, and/or to the Company at its principal office or to such other address as a party may from time to time designate by notice to the other parties.

15.2 Application of Illinois Law. This Operating Agreement, and the application of interpretation hereof, shall be subject to and is governed exclusively by its terms and by the laws of the State of Illinois, and specifically the Illinois Act.

15.3 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

15.4 Amendment. This Operating Agreement may be amended at any time in writing by the Members owning a Majority Interest.

15.5 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.6 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

15.7 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

15.8 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from registered effect of an original violation.

15.9 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

15.10 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

15.12 No Third Party Beneficiaries. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any third party who is not a party to this Operating Agreement.

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

15.14 Dispute Resolution

(a) General. Any disputes arising under this Agreement between the Company and any Member or between any Members shall be resolved through the procedures specified in this Section 15.14. The resolution of any disputes under this Section 15.14 (whether through the negotiation, mediation or arbitration

procedures specified herein) shall be final and binding upon the parties to such dispute, and specifically enforceable under applicable law by a court of competent jurisdiction. The procedures set forth in this Section 15.14 shall be initiated by the delivery of a written notice by the Company or a Member to the other party or parties to the dispute stating that the claiming party has a claim against the other party or parties, describing in reasonable detail the nature and amount of such claim and the basis thereof.

(b) Negotiation. Prior to the submission of any dispute to the mediation or arbitration procedures specified in subsections (c) or (d) of Section 15.14, the parties to the dispute shall make every effort in good faith to resolve such dispute by mutual agreement within thirty (30) days following the initiation of the procedures set forth in Section 15.14 (the date on which such thirty days expires, or any extension of such period as the parties to the dispute may mutually agree in writing, is hereby called the "Claim Resolution Deadline Date").

(c) Mediation Procedures. If the parties to the dispute have not resolved such dispute pursuant to the procedures set forth in subsection (b) of the Section 15.14 by the Claim Resolution Deadline Date, then the mediation procedures provided in this subsection (c) shall apply. Within thirty (30) days after the Claim Resolution Deadline Date, the parties to the dispute shall jointly appoint an independent and impartial mediator ("Mediator"). The Mediator shall establish the procedures designed to facilitate the mediation of such dispute, shall meet the representatives of the parties to the dispute and take other appropriate actions to facilitate a negotiated or other voluntary resolution of such dispute. If the parties have not resolved the dispute within thirty (30) days after the appointment of the Mediator or such later date as to which they mutually agree in writing (the "Mediation Deadline Date"), then the arbitration procedures specified in subsection (d) shall apply.

(d) Arbitration. If the parties to the dispute have not resolved the dispute by the Mediation Deadline Date, the parties to the dispute shall jointly select an independent and impartial arbitrator (the "Arbitrator"). The Arbitrator shall have such expertise as the parties to the dispute agree is relevant. The Arbitrator may be removed only by unanimous action of the parties to the dispute. If the parties to the dispute are unable to agree upon the selection of the Arbitrator within thirty (30) days after the Mediation Deadline Date or such later date as to which they mutually agree in writing, application shall be made to the American Arbitration Association in Chicago, Illinois ("AAA"), for the selection and appointment of the Arbitrator. The arbitration proceeding shall be conducted in accordance with the then-current rules of the AAA for arbitration of business disputes, to the extent that such rules are not inconsistent with Section 15.14. The Arbitrator may modify the procedures set forth in such rules from time to time with the prior approval of the parties to the dispute. The place of such arbitration shall be Chicago, Illinois, or such other location agreed to by the parties to the dispute. The arbitration proceedings shall be concluded within one hundred eighty (180) days of the appointment of the Arbitrator or such later date as the parties to the dispute mutually agree in writing. Within thirty (30) days of the conclusion of the arbitration proceedings, the Arbitrator shall present to the parties to the dispute a written statement of the determination regarding the dispute. Failure to submit a position by any party to the dispute shall be deemed an acceptance by such party of the other party's position, and shall constitute a final, binding and specifically enforceable decision against such party.

(e) Costs and Expenses. The fees and expenses of the Mediator and/or Arbitrator shall be shared equally by each party to the dispute. Except as otherwise provided in the proceeding sentence, each party to the dispute shall bear all costs and expenses incurred by it in connection with the conduct of the procedures described in Section 15.14.

(f) Confidentiality. Any dispute resolution proceeding (including without limitation any mediation proceeding) held pursuant to Section 15.14 shall not be public. In addition, except as may be required by law, each party to the dispute, their respective representatives, the Mediator and the Arbitrator shall strictly maintain the confidentiality of all issues, disputes, arguments, positions, interpretations, awards, determinations, enclosures, exhibits, summaries, compilations, studies, analyses, notes, documents, statements, schedules and other similar items associated therewith.

15.15 Investment Representations. The undersigned Members understand (i) that the Membership Interests issued pursuant to this Operating Agreement

have not been registered under the Securities Act of 1933 or any state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (ii) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment, and (iii) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution.

Accordingly, each Member hereby confirms to the Company that such Member is acquiring a Membership Interest for such own Member's account, for investment and not with a view to the resale or distribution thereof without complying with an exemption for registrations under the Securities Acts. Each Member agrees not to transfer, sell or offer or sale any of portion of the Membership Interest unless there is an effective registration or other qualification relating thereto under the Securities Acts or unless the holder of the Membership Interest delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Securities Acts is not required in connection with such transfer, offer or sale. Each Member understands that the Company is under no obligation to register the Membership Interests or to assist such Member in complying with any exemption from registration under the Securities Acts if such Member should at a later date wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission.

Prior to acquiring a Membership Interest, each Member has made an investigation of the Company and its business and the Company has made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire a Membership Interest. Each Member considers himself to be a person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's investment in a Membership Interest.

15.16 Execution of Notes, Checks, Contracts and Other Instruments. Subject to Section 6.6 hereof, all notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the Company whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the Company, may be signed by the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Managers upon any other person or persons. Any person having authority to sign on behalf of the Company may delegate, from time to time, by instrument in writing, all or any part of such authority may be general or confined to specific instances. Facsimile signatures on checks may be used if authorized by the Board of Managers.

IN WITNESS WHEREOF, the parties hereto have caused their signatures, or have caused the signatures of their duly authorized representatives, to be set forth below on the day and year first above written.

TKZ HOLDING CORP.

By: David M. Kelly

Its: President

TUKAIZ LITHO, INC.

By: Frank Defino, Sr.

Frank Defino, President

EXHIBIT 10.4

TUKAIZ COMMUNICATIONS, L.L.C.
OPERATING AGREEMENT
January 31, 1997

TABLE OF CONTENTS

	Page	
ARTICLE I	DEFINITIONS	1
ARTICLE II	FORMATION OF COMPANY; MEMBERSHIP INTERESTS	4
2.1	Formation	4
2.2	Name	4
2.3	Principal Place of Business	4
2.4	Registered Office and Registered Agent	4
2.5	Term	5
2.6	Certificates of Membership Interests	5
2.7	Certificates	5
2.8	Transfer of Certificates	5
2.9	Lost, Stolen, Destroyed or Mutilated Certificates	5
2.10	Regulations Relating to Shares	6
2.11	Transfer of Certificates	6
ARTICLE III	BUSINESS OF COMPANY	6
3.1	Permitted Businesses	6
ARTICLE IV	NAMES AND ADDRESSES OF MEMBERS	6
ARTICLE V	RIGHTS AND DUTIES OF BOARD OF MANAGERS	7
5.1	Management	7
5.2	Number, Election, Tenure and Qualifications	7
5.3	Manner of Acting	8
5.4	Certain Powers of Managers	8
5.5	Managers Have No Exclusive Duty to Company	10
5.6	Bank Accounts	10
	Page	
5.7	Resignation	10
5.8	Removal	10
5.9	Vacancies	10

ARTICLE VI OFFICERS	11	
6.1 Officers of Company	11	
6.2 Election and Term of Office	11	
6.3 Removal	11	
6.4 Vacancies	11	
6.5 Chairman	11	
6.6 President	12	
6.7 The Vice Presidents	13	
6.8 The Treasurer	13	
6.9 The Secretary	13	
6.10 Assistant Treasurers and Assistant Secretaries	14	
6.11 Salaries	14	
ARTICLE VII MEETINGS OF MEMBERS		14
7.1 Meetings	14	
7.2 Place of Meetings	14	
7.3 Notice of Meeting	15	
7.5 Record Date	15	
7.6 Quorum	15	
7.7 Manner of Acting	15	
7.8 Proxies	16	
7.9 Action by Members Without a Meeting	16	
7.10 Waiver of Notice	16	
		Page
ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES	16	
8.1 Standard of Care	16	
8.2 Indemnification of Managers, Officers and Employees	17	
ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS		17
9.1 Limitation of Liability	17	
9.2 List of Members	17	
9.3 Company Books	17	
9.4 Priority and Return of Capital	18	
ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS		18
10.1 Initial Capital Contributions	18	
10.2 Additional Capital Contributions	18	
10.3 Capital Accounts	18	

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS 20

11.1	Allocations of Net Profits and Net Losses	20
11.2	Special Allocations to Capital Accounts	20
11.3	Distributions	23
11.4	Accounting Principles	24
11.5	Interest on and Return of Capital Contributions	24
11.6	Loans to Company	24
11.7	Accounting Period	24
11.8	Records and Reports	24
11.9	Returns and Other Elections	24
11.10	Tax Matters Partner	25

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY 25

12.01	Restriction on Transfer of Membership Interests	25
	Page	
12.02	Voluntary Sales	25
12.04	Sale of Membership Interests Upon Death	27
12.5	Effectiveness of Transfer	28

ARTICLE XIII ADDITIONAL MEMBERS 28

13.1	Admission of New Members	28
13.2	Allocations to New Members	28

ARTICLE XIV DISSOLUTION AND TERMINATION 28

14.1	Dissolution	28
14.2	Winding Up	29
14.3	Distribution of Assets Upon Winding Up	29
14.4	Articles of Dissolution	29

ARTICLE XV MISCELLANEOUS PROVISIONS 30

15.1	Notices	30
15.2	Application of Illinois Law	30
15.3	Waiver of Action for Partition	30
15.4	Amendment	30
15.5	Execution of Additional Instruments	30
15.6	Construction	30
15.7	Headings	31
15.8	Waivers	31

15.9	Rights and Remedies Cumulative	31
15.10	Severability	31
15.11	Heirs, Successors and Assigns	31
15.12	Creditors	31
15.13	Counterparts	31
15.14	Investment Representations	33

OPERATING AGREEMENT

THIS OPERATING AGREEMENT is made and entered into this 31st day of January, 1997, among TKZ HOLDING CORP. ("TKZ") and TUKAIZ LITHO, INC. ("Tukaiz") (together, the "Members").

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

ARTICLE I DEFINITIONS

The following terms used in this Operating Agreement shall have the following meanings (unless otherwise expressly provided herein):

- (a) The Articles shall mean the Articles of Organization of the Company as filed by the organizer of the Company with the Illinois Secretary of State, as the same may be amended from time to time.
- (b) "Board of Managers" has the meaning set out in Section 5.1.
- (c) "Capital Account" as of any given date shall mean the Capital Contributions to the Company by a Member as adjusted up to the date in question pursuant to Article X.
- (d) "Capital Contribution" shall mean any contribution to the capital of the Company in cash or property by a Member whenever made. "Initial Capital Contribution" shall mean the initial contribution to the capital of the Company pursuant to this Operating Agreement.
- (e) "Code" shall mean the Internal Revenue Code of 1986, as amended, or corresponding provisions of subsequent superseding federal revenue laws.
- (f) "Company" shall refer to Tukaiz Communications, L.L.C.
- (g) "Deficit Capital Account" shall mean with respect to any Member, the deficit balance, if any, in such Member's Capital Account as of the end of the taxable year, after giving effect to the debit to such Capital Account for the items described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) and (6). This definition of Deficit Capital Account is intended to comply with the provision of Treasury Regulations 1.704-1(b)(2)(ii)(d), and will be interpreted consistently with those provisions.
- (h) "Illinois Act" shall mean the Illinois Limited Liability Company Act at 805 Ill. Comp. Stat. 180/1-1, et seq. as the same may be amended from time to time.
- (i) "Distributable Cash" shall mean all cash, revenues and funds received by the Company from Company operations, less the sum of the following to the extent paid or set aside by the Company: (i) all principal and interest payments on indebtedness of the Company and all other sums paid to lenders; (ii) all cash expenditures incurred in the normal operation of the Company's business; and (iii) such reserves as the Managers or their designees deem reasonably necessary for the proper operation of the Company's business.
- (j) "Entity" shall mean any general partnership, limited partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association, foreign trust or foreign business organization.
- (k) "Fiscal Year" shall mean the Company's fiscal year, which shall end on September 30 each year.

- (l) "Majority Interest" shall mean the affirmative vote of Members holding more than fifty percent (50%) of the aggregate Percentage Interests in the Company.
- (m) "Manager" shall mean one or more members of the Board of Managers of the Company. References to the Managers in the singular or as him, her, it, itself or other like references shall also, where the context so requires, be deemed to include the plural or the masculine or feminine reference, as the case may be.
- (n) "Member" shall mean, in connection with the formation of the Company, each of the parties who executes a counterpart of this Operating Agreement as a Member and, after the formation of the Company, each of the parties who may be admitted as a Member in accordance with Section 13.1 of this Operating Agreement.
- (o) "Membership Interest" shall mean a Member's entire interest in the Company, including the right to participate in the management of the business and affairs of the Company, including the right to vote on, consent to, or otherwise participate in any decision or action of or by the Members granted pursuant to this Operating Agreement and the Illinois Act.
- (p) "Membership Interest Agreement" shall mean the Membership Interest Agreement dated as of January 22, 1997 among TKZ, Tukaiz, Frank Defino, Sr. and the Company, as the same may be amended from time to time.
- (q) "Net Losses" shall mean, for each Fiscal Year, the losses and deductions of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any expenditures described in Section 705(a)(2)(B) of the Code.
- (r) "Net Profits" shall mean, for each Fiscal Year, the income and gains of the Company determined in accordance with accounting principles consistently applied from year to year employed under the accrual method of accounting and as reported, separately or in the aggregate, as appropriate, on the Company's information tax return filed for federal income tax purposes, plus any income described in Section 705(a)(1)(B) of the Code.
- (s) "Reserves" shall mean funds set aside or amounts allocated to reserves which shall be maintained in amounts deemed sufficient by the Managers for working capital and to pay taxes, insurance, debt service or other costs or expenses incident to the ownership or operation of the Company's business.
- (t) "Offered Membership Interests" has the meaning set forth in Section 12.2(a).
- (u) "Offering Member" has the meaning set forth in Section 12.2(a).
- (v) "Resignation" has the meaning set out in Section 9.5(a).
- (w) "Operating Agreement" shall mean this Operating Agreement as originally executed and as amended from time to time.
- (x) "Percentage Interest" shall mean for any Member, the percentage of Membership Interest in the Company as set forth on Exhibit A, as the same may be changed from time to time upon the acquisition or disposition of Membership Interests, the redemption of Membership Interests, or the addition or deletion of Members.
- (y) "Person" shall mean any individual or entity, and their heirs, executors, administrators, legal representatives, successors and assigns where the context so permits.
- (z) "Transferring Member" shall mean (i) any Member who sells, assigns, pledges, hypothecates, transfers, exchanges or otherwise transfers for consideration all or any portion of his Membership Interest or (ii) any Member who gifts, bequeaths or otherwise transfers for no consideration (by operation of law or otherwise, except with respect to bankruptcy) all or any part of his Membership Interest.
- (aa) "Treasury Regulations" shall include proposed, temporary and final regulations promulgated under the Code in effect as of the date of filing the Certificate and the corresponding sections of any regulations subsequently

issued that amend or supersede such regulations.

Capitalized terms used herein and not defined herein shall have the respective meanings given to those terms in the Membership Interest Agreement.

ARTICLE II FORMATION OF COMPANY; MEMBERSHIP INTERESTS

2.1 Formation. Tukaiz Communications, L.L.C. has been organized as an Illinois limited liability company by executing and delivering the Articles to the Illinois Secretary of State in accordance with and pursuant to the Illinois Act.

2.2 Name. The name of the Company is Tukaiz Communications, L.L.C.

2.3 Principal Place of Business. The principal place of business of the Company shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131. The Company may locate its place of business at any other place or places as the Board of Managers may deem advisable.

2.4 Registered Office and Registered Agent. The company's initial registered office shall be 2917 N. Latoria Lane, Franklin Park, Illinois, 60131 and the name of its initial registered agent shall be Frank Defino, Sr..

2.5 Term. The term of the Company shall be fifty (50) years from and after the date of the formation of the Company in accordance with and pursuant to the Illinois Act, unless the Company is earlier dissolved in accordance with either the provisions of this Operating Agreement or the Illinois Act.

2.6 Certificates of Membership Interests. The Board of Managers of the Company may make such rules and regulations as they may deem appropriate concerning the issuance and registration of Membership Interests in the Company. The Board of Managers may authorize the issuance of any Membership Interest without certificates. Such authorization shall not affect Membership Interests already represented by certificates until they are surrendered to the Company.

2.7 Certificates. If the Board of Managers authorizes the issuance of certificates, such certificate or certificates shall be in such form as the Board of Managers may from time to time prescribe, and signed (in facsimile or otherwise as permitted by law) by the President or a Vice President and the Secretary or the Treasurer or an Assistant Secretary or an Assistant Treasurer, which shall represent the number of Membership Interests owned by such holder. The Board may authorize the issuance of certificates for fractional shares or, in lieu thereof, scrip or other evidence of ownership, which may (or may not) as determined by the Board entitle the holder thereof to voting, dividends or other rights of Members.

2.8 Transfer of Certificates. If the Board of Managers authorizes the issuance of certificates, transfers of Membership Interests of the Company shall be made on the books of the Company only upon surrender to the Company of the certificate or certificates for such Membership Interests properly endorsed by the holder or by his assignee, agent or legal representative, who shall furnish proper evidence of assignment, authority or legal succession, or by the agent of one of the foregoing thereunto duly authorized by an instrument duly executed and filed with the Company, in accordance with regular commercial practice.

2.9 Lost, Stolen, Destroyed or Mutilated Certificates. New certificates for Membership Interests may be issued to replace certificates lost, stolen, destroyed or mutilated upon such conditions as the Board of Managers may from time to time determine.

2.10 Regulations Relating to Membership Interests. The Board of Managers shall have power and authority to make all such rules and regulations not inconsistent with the Operating Agreement as it may deem expedient concerning the issue, transfer and registration of certificates representing Membership Interests of the Company.

2.11 Holders of Record. The Company shall be entitled to treat the holder of record of any Membership Interests of the Company as the holder and owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in such Membership Interests on the part of any other person, whether or not it shall have express or other notice

thereof, except as otherwise expressly provided by law.

ARTICLE III
BUSINESS OF COMPANY

3.1 Permitted Businesses. The business of the Company shall be to:

(a) engage in the business of digital prepress serving premedia, including multimedia, digital photography, web site service and on-demand digital printing; and

(b) to carry on any other lawful business or activity in connection with the foregoing or otherwise, and to have and exercise all of the powers, rights and privileges which a limited liability company organized pursuant to the Illinois Act may have and exercise.

ARTICLE IV
NAMES AND ADDRESSES OF MEMBERS

The names and addresses of the initial Members are as follows:

NAME	ADDRESS
TKZ Holding Corp.	c/o Matthews International Corporation Two NorthShore Center Pittsburgh, PA 15212 Attn.: President
Tukaiz Litho, Inc.	c/o Frank Defino, Sr. 2917 N. Latoria Lane Franklin Park, IL 60131

ARTICLE V
RIGHTS AND DUTIES OF BOARD OF MANAGERS

5.1 Management. The business and affairs of the Company shall be managed by its "Board of Managers". The Board of Managers shall have full and complete authority, power and discretion to manage and control the business, affairs and properties of the Company, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of the Company's business and objectives. No one Manager may take or effect any action on behalf of the Company or otherwise bind the Company in the absence of a formal delegation of authority by the Board of Managers to such Manager. Unless authorized to do so by this Operating Agreement or by the Managers of the Company, no Member, officer, employee, attorney-in fact or other agent shall have any power or authority to bind the Company.

5.2 Number, Election, Tenure and Qualifications. The number of Managers which shall constitute the first Board of Managers shall be two (2). Thereafter, the number of Managers of the Company shall be fixed from time to time by the Members owning a Majority Interest, or as otherwise provided in the Membership Interest Agreement. In no instance shall there be less than one (1) Manager. Managers shall be elected by the vote of a Majority Interest of the Members. Each Manager shall hold office until his successor shall have been elected and qualified. Managers need not be Members of the Company.

5.3 Regular Meetings; Notice. Regular meetings of the Board of Managers shall be held at such time and place as shall be designated by the Board of Managers from time to time. Notice of such regular meetings shall not be required, except as otherwise expressly required herein or by law, and except that whenever the time or place of regular meetings shall be initially fixed and then changed, notice of such action shall be given promptly by telephone or otherwise to each Manager not participating in such action. Any business may be transacted at any regular meeting.

5.4 Special Meetings; Notice. Special meetings of the Board of Managers may be called at any time by the Board itself, or by the chairman or the president, or by at least one-fourth of the Managers, to be held at such place and day and hour as shall be specified by the person or persons calling the meeting. Notice of every special meeting of the Board of Managers shall be given by the Secretary to each Manager at least two days before the meeting. Any business may be transacted at any special meeting regardless of whether the notice calling such meeting contains a reference thereto, except as

otherwise required by law.

5.5 Manner of Acting. The Board of Managers shall meet at least once each calendar year. The Managers may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of Managers. If no designation is made, the place of meeting shall be the principal place of business of the Company. A majority of the Board of Managers shall constitute a quorum at meetings of the Board of Managers. If a quorum is present, the affirmative vote of a majority of those in attendance shall constitute the act of the Board of Managers, unless the vote of Members is otherwise required by this Operating Agreement, the Illinois Act or the Articles. Any Manager may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in the meeting by means of such equipment shall constitute presence in person at such meeting. Action may be taken without a meeting if the action is evidenced by one or more written consents signed by each Manager.

5.6 Presumption of Assent. Minutes of each meeting of the Board shall be made available to each Manager at or before the next succeeding meeting. Each Manager shall be presumed to have assented to such minutes unless his objection thereto shall be made to the Secretary at or within two days after such succeeding meeting.

5.7 Certain Powers of Managers. Without limiting the generality of Section 5.1, the Board of Managers (as a whole) shall have power and authority (and no individual Manager shall alone have such power and authority; provided that this shall not prevent a person who is both a Manager and an officer from acting as an officer hereunder), after due action, on behalf of the Company:

- (a) to acquire property from any Person as the Managers may determine, whether or not such Person is directly or indirectly affiliated or connected with any Manager or Member;
- (b) to borrow money for the Company on such terms as the Managers deem appropriate, and in connection therewith, to hypothecate, encumber and grant security interests in the assets of the Company to secure repayment of the borrowed sums. No debt shall be contracted or liability incurred by or on behalf of the Company except by the Managers, or to the extent permitted herein, by agents or employees of the Company expressly authorized to contract such debt or incur such liability by the Managers;
- (c) to purchase liability and other insurance to protect the Company's property and business;
- (d) to hold and own Company real and personal properties in the name of the Company;
- (e) to invest Company funds;
- (f) to execute on behalf of the Company all instruments and documents, including, without limitation, checks; drafts; notes and other negotiable instruments; mortgages or deeds of trust; security agreements; financing statements; documents providing for the acquisition, mortgage or disposition of the Company's property; assignments, bills of sale; leases; and any other instruments or documents necessary to the business of the Company;
- (g) to employ accountants, legal counsel, agents or other experts to perform services for the Company;
- (h) to enter into any and all other agreements on behalf of the Company, in such forms as the Managers may approve;
- (i) to appoint such agents, officers and delegates as may be necessary or appropriate to the conduct of the business; and
- (j) to do and perform all other acts as may be necessary or appropriate to the conduct of the Company's business.

5.8 Managers Have No Exclusive Duty to Company. A Manager shall not be required to manage the Company as his or her sole and exclusive function and he or she may have other business interests and may engage in other activities in addition to those relating to the Company. Neither the Company, a Member nor any other Manager shall have any right, by virtue of this Operating Agreement, to share or participate in such other investments or activities of

the Manager or in the income or proceeds derived therefrom.

5.9 Bank Accounts. The Board of Managers may from time to time authorize the opening of bank accounts in the name and on behalf of the Company and the Managers shall determine who shall have the signatory power over such accounts.

5.10 Resignation. Any Manager of the Company may resign at any time by giving written notice to the Members of the Company and the other Managers of the Company. The resignation of any Manager shall take effect upon receipt of notice thereof or at such later date specified in such notice; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective. The resignation of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.11 Removal. All or any lesser number of Managers may be removed at any time, with or without cause, by the Members owning a Majority Interest. The removal of a Manager who is also a Member shall not affect the Manager's rights as a Member and shall not constitute a withdrawal of a Member.

5.12 Vacancies. Any vacancy occurring for any reason in the number of Managers of the Company may be filled by the Members owning a Majority Interest. Any Manager's position to be filled by reason of an increase in the number of Managers shall be filled by the Members at a meeting of Members called for that purpose or by the Members' unanimous written consent. A Manager elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office and shall hold office until the expiration of such term and until his successor shall be elected and qualified or until his earlier death, resignation or removal. A Manager chosen to fill a position resulting from an increase in the number of the Board of Managers shall hold office until his successor shall be elected and qualified, or until his earlier death, resignation or removal.

ARTICLE VI OFFICERS

6.1 Officers of the Company. The Company shall have officers consisting of a chairman, a president, a treasurer and a secretary, and such vice presidents, assistant vice presidents, assistant treasurers, assistant secretaries or other officers or agents as may be elected and appointed by the Board of Managers. Any two or more offices may be held by the same person. The officers shall act in the name of the Company and shall supervise its operation under the direction and management of the Board of Managers, as further described below.

6.2 Election and Term of Office. The officers of the Company shall be elected annually by the Board of Managers. Vacancies may be filled or new offices created and filled at any meeting of the Board of Managers. Each officer shall hold office until his or her successor shall have been duly elected and shall have qualified or until his or her death or until he or she shall resign or shall have been removed in the manner hereinafter provided. Election or appointment of an officer or agent shall not of itself create contract rights.

6.3 Removal. Any officer or agent may be removed by the Board of Managers whenever in their judgment the best interests of the Company would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

6.4 Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Managers for the unexpired portion of the term.

6.5 Chairman. If there shall be a chairman, he or she shall be elected from among the Managers, shall preside at all meetings of the Members and of the Board or provided herein, and shall have such other powers and duties as from time to time may be prescribed by the Board.

6.6 President. The president shall be the chief executive officer of the Company and shall be in general and active charge of the entire business and all the affairs of the Company and shall have the powers and perform the duties incident to that position, including the power to bind the Company in accordance with this Section 6.6. He or she shall have such other powers and

perform such duties as are specified in this Operating Agreement, including those items set forth in Section 5.7 hereof, and as may from time to time be assigned to him or her by the Board of Managers of the Company.

The president shall have general and active management of the business of the Company and shall see that all orders and resolutions of the Board of Managers of the Company are carried into effect. The president may execute bonds, mortgages and other contracts (whenever requiring a seal, under the seal of the Company), except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Managers of the Company to some other officer or agent of the Company. The president shall have general powers of supervision and shall be the final arbiter of all differences between officers of the Company, and such decision as to any matter affecting the Company shall be final and binding as between the officers of the Company subject only to the Board of Managers of the Company.

Notwithstanding the foregoing or the provisions of Section 5.7 hereof, without the prior consent and authorization of the Board of Managers, neither the president nor any other officer of the Company have the power or authority to, and none of them shall, enter into any of the following transactions:

- (i) the sale, purchase or lease of any capital assets for an aggregate amount in excess of \$100,000;
- (ii) the sale or purchase of any fixed assets, business or product line for an aggregate amount in excess of \$100,000;
- (iii) any other contract, including a sales contract, supply contract or employment agreement, for an aggregate amount in excess of \$100,000; and
- (iv) the incurrence of indebtedness for borrowed money by the Company or the pledging or permitting of any liens on the assets of the Company in connection therewith, for an amount in excess of \$100,000.

6.7 The Vice Presidents. In the absence of (or at the request of) the chairman, president or in the event of his or her inability or refusal to act, a vice president (or in the event there be more than one vice president, the vice presidents in the order designated, or in the absence of any designation, then in the order of their election) shall perform the duties of the president, and when so acting, shall have all the powers of and be subject to all the restrictions upon the president. Any vice president shall perform such other duties as from time to time may be assigned to him by the chairman, president or by the Board of Managers of the Company.

6.8 The Treasurer. The treasurer may be the chief financial officer of the Company. The treasurer shall not be required to give a bond for the faithful discharge of his or her duties. He or she shall: (i) have charge and custody of and be responsible for all funds and securities of the Company; (ii) be charged with primary responsibility for dealing with National Securities Exchanges or other exchanges in which the Company may hold a membership or on which the Company may trade; (iii) 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 banks, trust companies or other depositories as shall be selected by the Board of Managers of the Company; and (iv) in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to him by the president or by the Board of Managers of the Company.

6.9 The Secretary. The secretary shall: (a) keep the minutes of the Board of Managers' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of this Operating Agreement or as required by law; (c) be custodian of Company records; (d) keep a register of the post office address of each Member which shall be furnished to the secretary by such Member; (e) sign with the chairman, the president or a vice president (as designated by the chairman), any certificates for Membership Interests, the issue of which shall have been authorized by resolution of the Board of Managers; (f) certify the resolutions of the Board of Managers and other documents to the Company as true and correct thereof; and (g) in general perform all duties incident to the office of secretary and such other duties as from time to time may be assigned to him by the chairman, president, a vice president (as designated by the chairman) or by the Members of the Company.

6.10 Assistant Treasurers and Assistant Secretaries. The assistant

treasurers shall respectively, if required by the Board of Managers of the Company, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Managers of the Company shall determine. The assistant treasurers and assistant secretaries, in general, shall perform such duties as shall be assigned to them by the treasurer or the secretary, respectively, or by the chairman, the president or the Board of Managers of the Company. Each officer of the Company by virtue of his or her office shall be an Assistant Secretary.

6.11 Salaries. The salaries and other compensation of the officers and other employees of the Company shall be fixed from time to time by the Board of Managers, and no officer or employee shall be prevented from receiving such salary by reason of the fact that he is also a Manager or Member of the Company.

6.12 Delegation of Duties. The Board of Managers may in its discretion delegate for the time being the powers and duties, or any of them, of any officer to any other person whom it may select.

ARTICLE VII MEETINGS OF MEMBERS

7.1 Meetings. Meetings of the Members, for any purpose or purposes, may be called by any Member or Members owning at least twenty-five percent (25%) of the aggregate Percentage Interests in the Company or by any Manager.

7.2 Place of Meetings. The Members may designate any place, either within or outside the State of Illinois, as the place of meeting for any meeting of the Members. If no designation is made, the place of meeting shall be the principal place of business of the Company.

7.3 Notice of Meeting. Except as provided in Section 7.4, written notice stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called shall be delivered not less than five (5) nor more than thirty (30) days before the date of the meeting, either personally or by mail, by or at the direction of the Managers or Member or Members calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered two (2) calendar days after being deposited in the United States mail, addressed to the Member at his address as it appears on the books of the Company, with postage thereon prepaid.

7.4 Record Date. For the purpose of determining Members entitled to notice of or to vote at any meeting of Members or any adjournment thereof, or Members entitled to receive payment of any distribution, or in order to make a determination of Members for any other Purpose, the date on which notice of the meeting is mailed or the date on which the resolution declaring such distribution is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

7.5 Quorum. Members owning a Majority Interest, represented in person or by proxy, shall constitute a quorum at any meeting of Members. In the absence of a quorum at any such meeting, a majority of the Percentage Interests so represented may adjourn the meeting from time to time for a period not to exceed sixty (60) days without further notice. However, if the adjournment is for more than sixty (60) days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each Member of record entitled to vote at the meeting. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal during such meeting of that number of Percentage Interests whose absence would cause less than a quorum.

7.6 Manner of Acting. If a quorum is present, the affirmative vote of Members owning a Majority Interest present in person or represented by proxy shall be the act of the Members, unless the vote of a greater or lesser proportion or number is otherwise required by the Illinois Act, by the Articles or by this Operating Agreement.

7.7 Proxies. At all meetings of Members, a Member may vote in person or by proxy executed in writing by the Member or by a duly authorized attorney-in-fact. Such proxy shall be filed with the Managers of the Company

before or at the time of the meeting. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

7.8 Action by Members Without a Meeting. Action required or permitted to be taken at a meeting of Members may be taken without a meeting if the action is evidenced by one or more written consents describing the action taken, signed by each Member entitled to vote and delivered to the Managers of the Company for inclusion in the minutes or for filing with the Company records. Action taken under this Section is effective when all Members entitled to vote have signed the consent, unless the consent specifies a different effective date.

7.9 Waiver of Notice. When any notice is required to be given to any Member, a waiver thereof in writing signed by the person entitled to such notice, whether before, at or after the time stated therein, shall be equivalent to the giving of such notice.

ARTICLE VIII STANDARD OF CARE AND INDEMNIFICATION OF MANAGERS, OFFICERS AND EMPLOYEES

8.1 Standard of Care. No Manager or officer shall be liable to any Member or to the Company by reason of the actions of such person in the conduct of the business of the Company except for fraud, gross negligence or willful misconduct, and if the person acted in good faith and in a manner the person reasonably believed to be in, or not opposed to the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful.

8.2 Indemnification of Managers, Officers and Employees. The Company shall, to the fullest extent to which it is empowered to do so by the Illinois Act or any other applicable law, indemnify and make advances for expenses to any person who was or is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a Manager, officer or employee of the Company, against losses, damages, expenses (including attorneys' fees), judgments, fines and amounts reasonably incurred by him in connection with such action, suit or proceeding.

ARTICLE IX RIGHTS AND OBLIGATIONS OF MEMBERS

9.1 Limitation of Liability.

A Member will not be personally liable to creditors of the Company for any debts, obligations, liabilities or losses of the Company, whether arising in contract, tort or otherwise, beyond such Member's Capital Contributions.

9.2 List of Members. Upon written request of any Member, the Managers shall provide a list showing the names, addresses and Membership Interests of all Members.

9.3 Company Books. In accordance with Section 11.8 herein, the Board of Managers shall maintain and preserve, during the term of the Company, all accounts, books and other relevant Company documents. Upon reasonable written request, each Member and his duly authorized representative shall have the right, during ordinary business hours as reasonably determined by the Board of Managers, to inspect and copy such Company documents (at the requesting Member's expense) which the Managers, in their discretion, deem appropriate for any purpose reasonably related to the requesting Member's Membership Interest.

9.4 Priority and Return of Capital. Except as may be expressly provided in Article XI, no Member shall have priority over any other Member, either as to the return of Capital Contributions or as to Net Profits, Net Losses or distributions; provided that this Section shall not apply to the repayment by the Company of loans (as distinguished from Capital Contributions) which a Member has made to the Company.

9.5 Resignation. No Member shall have the right to voluntarily resign as a Member of the Company prior to the dissolution and winding up of the Company, except in connection with the Put/Call Exercise under the Membership Interest Agreement, and any resignation other than in such connection (a "Resignation")

by a Member shall constitute a breach of this Operating Agreement and subject the Member submitting such Resignation to damages for breach of this Operating Agreement by such Member.

ARTICLE X CONTRIBUTIONS TO THE COMPANY AND CAPITAL ACCOUNTS

10.1 Initial Capital Contributions. Each Member shall contribute such amount set forth on Exhibit A as its Initial Capital Contribution.

10.2 Additional Capital Contributions. No Member shall be required to make any additional Capital Contributions. To the extent approved by Members owning a Majority Interest, the Members may be permitted to make additional Capital Contributions if and to the extent they so desire.

10.3 Capital Accounts.

(a) A separate Capital Account will be maintained for each Member. Each Member's Capital Account will be increased by (1) the amount of money contributed by the Member to the Company; (2) the fair market value of property contributed by the Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code); (3) allocations of Net Profits and Net Losses; and (4) allocations to such Member of income described in Section 705(a)(1)(B) of the Code. Each Member's Capital Account will be decreased by (1) the amount of money distributed to the Member by the Company; (2) the fair market value of property distributed to the Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code); (3) allocations to such Member of expenditures described in Section 705(a)(2)(b) of the Code; and (4) allocations to the account of such Member losses and deductions as set forth in such Treasury Regulations, taking into account adjustments to reflect book value.

(b) In the event of a permitted sale or exchange of a Membership Interest in the Company pursuant to Article XII hereof, the Capital Account of the Transferring Member shall become the Capital Account of the transferee to the extent it relates to the transferred Membership Interest in accordance with Treasury Regulations 1.704-1(b)(2)(iv).

(c) The manner in which Capital Accounts are to be maintained pursuant to this Section 10.3 is intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the Company determines that the manner in which Capital Accounts are to be maintained pursuant to the preceding provisions of this Section 10.3 should be modified in order to comply with Section 704(b) of the Code and the Treasury Regulations, then notwithstanding anything to the contrary contained in the preceding provisions of this Section 10.3, the method in which Capital Accounts are maintained shall be so modified; provided, however, that any change in the manner of maintaining Capital Accounts shall not materially alter the economic agreement between or among the Members as set forth in this Operating Agreement.

(d) Except as otherwise required in the Illinois Act (and subject to Sections 10.1 and 10.2), no Member shall have any liability to restore all or any deficit balance in such Member's Capital Account.

ARTICLE XI ALLOCATIONS, INCOME TAX, ELECTIONS AND REPORTS

11.1 Allocations of Net Profits and Net Losses. The Net Profits and Net Losses of the Company shall be allocated as follows:

(a) Net Profit. The Net Profits for a fiscal year or other period of the Company shall be allocated to the Members in Accordance with their respective Membership Interests.

(b) Net Losses. The Net Losses, if any, for a fiscal year or other period of the Company shall be allocated in the Members in accordance with their respective Membership Interests.

11.2 Special Allocations to Capital Accounts. Notwithstanding Section 11.1 hereof:

(a) No allocations of loss, deduction and/or expenditures described in Section 705(a)(2)(B) of the Code shall be charged to the Capital Account of any Member if such allocation would cause such Member to have a Deficit Capital Account. The amount of the loss, deduction and/or Section 705(a)(2)(B) of the Code expenditure which would have caused a Member to have a Deficit Capital Account shall instead be charged to the Capital Account of any Members which would not have a Deficit Capital Account as a result of the allocation, in proportion to their respective Capital Contributions, or, if no such Members exist, then to the Members in accordance with their interests in Company Net Profits pursuant to Section 11.1.

(b) In the event any Member unexpectedly receives any adjustments, allocations, or distributions described in Treasury Regulations 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which create or increase a Deficit Capital Account of such Member, then items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such year and, if necessary, for subsequent years) shall be specially credited to the Capital Account of such Member in an amount and manner sufficient to eliminate, to the extent required by the Treasury Regulations, the Deficit Capital Account so created as quickly as possible. It is the intent that this Section 11.2(b) be interpreted to comply with the alternate test for economic effect set forth in Treasury Regulations 1.704-1(b)(2)(ii)(d).

(c) In the event any Member would have a Deficit Capital Account at the end of any Company taxable year which is in excess of the sum of any amount that such Member is obligated to restore to the Company under Treasury Regulations 1.704-1(b)(2)(ii)(c) and such Member's share of minimum gain as defined in Treasury Regulations 1.704-2(g)(l) (which is also treated as an obligation to restore in accordance with Treasury Regulations 1.704-1(b)(2)(ii)(d)), the Capital Account of such Member shall be specially credited with items of Membership income (including gross income) and gain in the amount of such excess as quickly as possible.

(d) Notwithstanding any other provision of this Section 11.2, if there is a net decrease in the Company's minimum gain as defined in Treasury Regulations 1.704-2(d) during a taxable year of the Company, then, the Capital Account of each Member shall be allocated items of income (including gross income) and gain for such year (and if necessary for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This Section 11.2(d) is intended to comply with the minimum gain chargeback requirement of Treasury Regulations 1.704-2 and shall be interpreted consistently therewith.

(e) Items of Company loss, deduction and expenditures described in Section 705(a)(2)(B) of the Code which are attributable to any nonrecourse debt of the Company and are characterized as partner nonrecourse deductions under Treasury Regulations 1.704-2(i) shall be allocated to the Members' Capital Accounts in accordance with Treasury Regulations 1.704-2(i).

(f) Beginning in the first taxable year in which there are allocations of "nonrecourse deductions" (as described in Treasury Regulations 1.704-2(b)), such deductions shall be allocated to the Members in accordance with, and as part of, the allocations of Company profit or loss for such period.

(g) In accordance with Section 704(c) of the Code, if a Member contributes property with a fair market value that differs from its adjusted basis at the time of contribution, income, gain, loss and deductions with respect to the property shall, solely for federal income 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 and its fair market value at the time of contribution.

(h) Pursuant to Section 704(c)(1)(B) of the Code, if any contributed property is distributed by the Company other than to the contributing Member within five (5) years of being contributed, then, except as provided in Section 704(c)(2) of the Code, the contributing Member shall be treated as recognizing gain or loss from the sale of such property in an amount equal to the gain or loss that would have been allocated to such Member under Section 704(c)(1)(A) of the Code if the property had been sold at its fair market value at the time of the distribution.

(i) In connection with a Capital Contribution of money or other property (other than a de minimis amount) by a new or existing Member, or in connection

with the liquidation of the Company, the Capital Accounts of the Members shall be adjusted to reflect a revaluation of Company property (including intangible assets) in accordance with Treasury Regulations 1.704-1(b)(2)(iv)(f). If, under Treasury Regulations 1.704-1(b)(2)(iv)(f), Company property that has been revalued is properly reflected in the Capital Accounts and on the books of the Company at a book value that differs from the adjusted tax basis of such property, then depreciation, depletion, amortization and gain or loss with respect to such property shall be shared among the Members' in a manner that takes account of the variation between the adjusted tax basis of such property and its book value, in the same manner as variations between the adjusted tax basis and fair market value of property contributed to the Company are taken into account in determining the Members' shares of tax items under Section 704(c) of the Code.

(j) Any credit or charge to the Capital Accounts of the Members pursuant to Sections 11.1(b), (c), and/or (d) hereof shall be taken into account in computing subsequent allocations of profits and losses pursuant to Section 11.1, so that the net amount of any items charged or credited to Capital Accounts pursuant to Sections 11.1 and 11.2 shall to the extent possible, be equal to the net amount that would have been allocated to the Capital Account of each Member pursuant to the provisions of this Article XI if the special allocations required by Sections 11.2(b), (c) and/or (d) had not occurred.

(k) All expenses of the Company in respect of interest paid on the Subordinated Convertible Note dated January 31, 1997 in the principal amount of \$5,500,000 from the Company to Venetian Investment Company shall be allocated as a deduction to TKZ.

11.3 Distributions. Interim distributions and liquidating distributions shall be made as follows:

(a) Subject to Section 25-25 of the Illinois Act, the Board of Managers may cause the Company to make interim distributions of Distributable Cash or other property at such time and for such amounts as determined by the Managers. All interim distributions of Distributable Cash or other property shall be made in proportion to the Members' respective Membership Interests.

(b) Upon liquidation of the Company, after settling accounts of creditors in the order described in Section 14.3, liquidating distributions will be made in accordance with the Members' positive Capital Account balances after taking into account all Capital Account adjustments of the Company's taxable year during which the liquidation occurs. Liquidation proceeds will be paid within 60 days of the end of the taxable year of liquidation (or, if later, within ninety (90) days after the date of the liquidation).

(c) If a Member resigns under Section 9.5, the Company shall, subject to Section 11.3(d), pay to the withdrawing Member any positive balance in the withdrawing Member's Capital Account within ninety (90) days from the date of the Resignation. The remaining Members shall have the right in their sole discretion at any time within sixty (60) days of the Resignation to determine all Net Profits and Net Losses of the Company as of the date of such determination and to make appropriate credits and debits to the Members' Capital Accounts. The Capital Account of the withdrawing Member as of the date of determination shall be conclusively deemed to be the fair value of all his Membership Interest and the payment provided for in this Section 11.3(c) shall be the full and only consideration for the redemption of the withdrawing Member's Membership Interest.

(d) The Company may offset damages for breach of this Operating Agreement by a Member whose interest is liquidated (either upon the Resignation of the Member or the liquidation of the Company but not in the case of a Put/Call Exercise under the Membership Interest Agreement) against the amount otherwise distributable to such Member pursuant to this Section in addition to any remedies otherwise available under applicable law.

(e) A Member has no right to demand and receive any distribution in a form other than cash.

11.4 Accounting Principles. The Company's financial statements shall be prepared and its profits and losses shall be determined in accordance with generally accepted accounting principles applied on a consistent basis under the accrual method of accounting.

11.5 Interest on and Return of Capital Contributions. No Member shall be

entitled to interest on his Capital Contribution or a return of his Capital Contribution.

11.6 Loans to Company. Nothing in this Operating Agreement shall prevent any Member from making secured or unsecured loans to the Company by agreement with the Company.

11.7 Accounting Period. The Company's accounting period shall be the Fiscal Year.

11.8 Records and Reports. At the expense of the Company, the Managers shall maintain records and accounts of all operations and expenditures of the Company. At a minimum, the Company shall keep at its principal place of business the following records:

- (a) A current list of the full name and last known business residence, or mailing address of each Member;
- (b) A copy of the Articles and all amendments thereto, together with executed copies of any powers of attorney pursuant to which any amendment has been executed;
- (c) Copies of the Company's financial statements and income tax returns and reports, if any, for the three most recent years; and
- (d) Copies of the Company's currently effective written Operating Agreement.

11.9 Returns and Other Elections. The Managers shall cause the preparation and timely filing of all tax returns required to be filed by the Company pursuant to the Code and all other tax returns deemed necessary and required in each jurisdiction in which the Company does business. Copies of such returns or pertinent information therefrom, shall be furnished to the Members within a reasonable time after the end of the Company's fiscal year.

All elections permitted to be made by the Company under federal or state laws shall be made by the Managers in their sole discretion.

In recognition of the fact that the Company expects to be treated as a partnership for federal income tax purposes, the Members agree to treat their Membership Interests as partnership interests for U.S. federal and state income tax reporting purposes.

11.10 Tax Matters Partner. TKZ shall be designated the "Tax Matters Partner" (as defined in Section 6231 of the Code), and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including, without limitation, administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. The Members agree to cooperate with each other and to do or refrain from doing any and all things reasonably required to conduct such proceedings.

ARTICLE XII RESTRICTIONS ON TRANSFERABILITY

12.1 Restriction on Transfer of Membership Interests. During the term of this Agreement, no Member shall sell, give, pledge, assign or otherwise dispose of any or all of his Membership Interests to any other person or entity except in accordance with the terms hereof.

12.2 Voluntary Sales.

(a) If a Member has received a bona fide written offer stated in terms of cash or cash equivalents from a prospective purchaser of any or all of his Membership Interests (herein referred to as the "Offered Membership Interests"), before accepting such offer, such Member (herein referred to as the "Offering Member") shall offer such Membership Interests in writing to the Company at the price and on the other terms and conditions contained in such offer; provided, however, that the Company shall not be required to meet any non-monetary terms of the offer, including without limitation delivery of other securities in exchange for the Offered Membership Interests. The notice given by the Offering Member shall contain a complete copy of the offer received by him from the bona fide offeror.

(b) The Company shall have the right, within thirty (30) days after receipt

of such notice, to notify the Offering Member of its election to purchase. In such notice, the Company shall also fix a closing date not more than thirty (30) days after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests offered, the Company shall promptly communicate the offer for the remaining interests to the other Members who shall have thirty (30) days from the date of such notice within which to notify the Offering Member and the Company of their respective elections to purchase. The other Members shall have the option of purchasing the Membership Interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall be not more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings. That is, the number of Offered Membership Interests that each other Member shall be entitled to purchase hereunder shall be determined by multiplying the total Offered Membership Interests by a fraction, the numerator of which shall be the number of Membership Interests then owned by the purchasing Member (or which the purchasing Member shall have the right to acquire by reason of a then pending offer to purchase) and the denominator of which shall be the number of Membership Interests then owned by all purchasing Members then participating in such offer.

(d) Unless the Company and the other Members agree to purchase the Offered Membership Interests pursuant to the terms hereof, their right to purchase said interests shall terminate and the Offering Member shall be free for a period of ninety (90) days to sell the Offered Membership Interests to the third person at the same price and on the same terms set forth in the Offering Member's notice of intended sale. Any person who acquires such Membership Interests shall automatically be bound by the terms of this Agreement (including the Put/Call provisions set forth in the Membership Interest Agreement) and shall be required to join in and execute and deliver a copy of this Agreement as an additional Member party. If the Membership Interests are not sold by the Offering Member within the ninety (90) day period, all rights to transfer the Membership Interests free of the foregoing restrictions shall terminate.

12.3 Sale of Membership Interests Upon Death.

(a) Following the death of a Member, the Company and the remaining Members shall have the option to purchase all of the Membership Interests held by the deceased Member on the date of his death, and the estate of the deceased Member shall be obligated to sell all of its said interests all on terms herein provided if the Company or the remaining Members exercise their respective options hereunder.

(b) The Company shall have the right, within thirty days after receipt of notice of the death of a Member, to notify the estate of such Member of its election to purchase. In such notice, the Company shall also fix a Closing Date not more than thirty days (30) after the date of its notice of election to purchase.

(c) Should the Company not desire to purchase the Membership Interests of the deceased Member, the Company shall promptly communicate the same to the other Members who shall have thirty (30) days from the date of such notice within which to notify the estate of the deceased Member and the Company of their respective elections to purchase all of such interests. The other Members shall have the option of purchasing interests at the same price and terms as the Company. The closing date of any purchase hereunder by such other Members shall not be more than thirty (30) days after the date of their notice of election to purchase. Any Membership Interests purchased by the other Members shall be purchased in proportion to their holdings, calculated in the manner set forth in Section 12.2(c) hereof.

(d) The price to be paid for the purchased Membership Interest under this Paragraph shall be the Applicable Percentage of Total Equity Value (as defined in the Membership Interests Agreement). The representative of the estate of a deceased Member shall cooperate with the Company and the remaining Members to effectuate the purposes of this Agreement.

12.4 Effectiveness of Transfer. Any sale or gift of any of a Member's Membership Interest in the Company will take effect on the first day following receipt by the Members of written notice that all of the requirements of the above Sections have been met.

ARTICLE XIII
ADDITIONAL MEMBERS

13.1 Admission of New Members. From the date of the formation of the Company, any Person or Entity acceptable to the Members by their unanimous vote thereof may become a Member in the Company by the issuance by the Company of a Membership Interest for such consideration as the members by their unanimous vote shall determine, or by being a permitted transferee of an existing Membership Interest in accordance with Article XII.

13.2 Allocations to New Members. No new Members shall be entitled to any retroactive allocation of any item of income, gain, loss, deduction or credit of the Company. The Managers may, at their option, at the time a Member is admitted, close the Company books (as though the Company's tax year had ended) or make pro rata allocations of items of income, gain, loss, deduction or credit to a new Member for that portion of the Company's tax year in which a new Member was admitted in accordance with the provisions of Section 706(d) of the Code and the Treasury Regulations promulgated thereunder.

ARTICLE XIV
DISSOLUTION AND TERMINATION

14.1 Dissolution.

(a) The Company shall be dissolved upon the occurrence of any of the following events, and only such events:

(i) when the period fixed for the duration of the Company shall expire pursuant to Section 2.5 hereof;

(ii) by the unanimous written agreement of all Members;

(iii) the entry of a decree of judicial dissolution under Section 35-5 of the Illinois Act; or

(iv) administrative dissolution under Section 35-25 of the Illinois Act.

(b) Dissolution of the Company shall be effective on the day on which an event described above occurs, but the Company shall not terminate until Articles of Dissolution shall be filed with the Secretary of State of the State of Illinois and the assets of the Company are distributed as provided in Section 14.4 below. Notwithstanding the dissolution of the Company, prior to the termination of the Company, the business of the Company and the affairs of the Members shall continue to be governed by this Operating Agreement.

14.2 Winding Up. The Members who have not wrongfully dissolved the Company may wind up the Company's affairs, but a Court, upon cause shown, may wind up the Company's affairs upon application of any Member or his legal representative, and in connection therewith, may appoint a liquidating trustee.

14.3 Distribution of Assets Upon Winding Up. The assets of the Company shall be distributed as follows:

(a) to creditors, in the order of priority as provided by law, including all Members who are creditors to the extent otherwise permitted by law, in satisfaction of liabilities of the Company (whether by payment or the making of reasonable provisions for payment thereof); and

(b) to Members and former Members in accordance with the positive balances in their Capital Accounts.

14.4 Articles of Dissolution. When all debts, liabilities and obligations have been paid and discharged or adequate provisions have been made therefor and all of the remaining property and assets have been distributed to the Members, articles of dissolution shall be executed by one or more authorized persons, which articles of dissolution shall set forth the information required by the Illinois Act. Articles of dissolution shall be filed with the Illinois Secretary of State to accomplish the cancellation of the Articles of the Company upon the dissolution and completion of the winding up of the Company.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 Notices. Any notice, demand or communication required or permitted to be given by any provision of this Operating Agreement shall be in writing and shall be deemed to have been given when actually received. Any such notice, demand or communication may be given by mail, express package service, telex or telefax and shall be addressed to Member at the addresses shown in Article IV, and/or to the Company at its principal office or to such other address as a party may from time to time designate by notice to the other parties.

15.2 Application of Illinois Law. This Operating Agreement, and the application of interpretation hereof, shall be subject to and is governed exclusively by its terms and by the laws of the State of Illinois, and specifically the Illinois Act.

15.3 Waiver of Action for Partition. Each Member irrevocably waives during the term of the Company any right that he or she may have to maintain any action for partition with respect to the property of the Company.

15.4 Amendment. This Operating Agreement may be amended at any time in writing by the Members owning a Majority Interest.

15.5 Execution of Additional Instruments. Each Member hereby agrees to execute such other and further statements of interest and holdings, designations, powers of attorney and other instruments necessary to comply with any laws, rules or regulations.

15.6 Construction. Whenever the singular number is used in this Operating Agreement and when required by the context, the same shall include the plural and vice versa, and the masculine gender shall include the feminine and neuter genders and vice versa.

15.7 Headings. The headings in this Operating Agreement are inserted for convenience only and are in no way intended to describe, interpret, define, or limit the scope, extent or intent of this Operating Agreement or any provision hereof.

15.8 Waivers. The failure of any party to seek redress for violation of or to insist upon the strict performance of any covenant or condition of this Operating Agreement shall not prevent a subsequent act, which would have originally constituted a violation, from registered effect of an original violation.

15.9 Rights and Remedies Cumulative. The rights and remedies provided by this Operating Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

15.10 Severability. If any provision of this Operating Agreement or the application thereof to any person or circumstance shall be invalid, illegal or unenforceable to any extent, the remainder of this Operating Agreement and the application thereof shall not be affected and shall be enforceable to the fullest extent permitted by law.

15.11 Heirs, Successors and Assigns. Each and all of the covenants, terms, provisions and agreements herein contained shall be binding upon and inure to the benefit of the parties hereto and, to the extent permitted by this Operating Agreement, their respective heirs, legal representatives, successors and assigns.

15.12 No Third Party Beneficiaries. None of the provisions of this Operating Agreement shall be for the benefit of or enforceable by any third party who is not a party to this Operating Agreement.

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

15.14 Dispute Resolution

(a) General. Any disputes arising under this Agreement between the Company and any Member or between any Members shall be resolved through the procedures specified in this Section 15.14. The resolution of any disputes under this Section 15.14 (whether through the negotiation, mediation or arbitration

procedures specified herein) shall be final and binding upon the parties to such dispute, and specifically enforceable under applicable law by a court of competent jurisdiction. The procedures set forth in this Section 15.14 shall be initiated by the delivery of a written notice by the Company or a Member to the other party or parties to the dispute stating that the claiming party has a claim against the other party or parties, describing in reasonable detail the nature and amount of such claim and the basis thereof.

(b) Negotiation. Prior to the submission of any dispute to the mediation or arbitration procedures specified in subsections (c) or (d) of Section 15.14, the parties to the dispute shall make every effort in good faith to resolve such dispute by mutual agreement within thirty (30) days following the initiation of the procedures set forth in Section 15.14 (the date on which such thirty days expires, or any extension of such period as the parties to the dispute may mutually agree in writing, is hereby called the "Claim Resolution Deadline Date").

(c) Mediation Procedures. If the parties to the dispute have not resolved such dispute pursuant to the procedures set forth in subsection (b) of the Section 15.14 by the Claim Resolution Deadline Date, then the mediation procedures provided in this subsection (c) shall apply. Within thirty (30) days after the Claim Resolution Deadline Date, the parties to the dispute shall jointly appoint an independent and impartial mediator ("Mediator"). The Mediator shall establish the procedures designed to facilitate the mediation of such dispute, shall meet the representatives of the parties to the dispute and take other appropriate actions to facilitate a negotiated or other voluntary resolution of such dispute. If the parties have not resolved the dispute within thirty (30) days after the appointment of the Mediator or such later date as to which they mutually agree in writing (the "Mediation Deadline Date"), then the arbitration procedures specified in subsection (d) shall apply.

(d) Arbitration. If the parties to the dispute have not resolved the dispute by the Mediation Deadline Date, the parties to the dispute shall jointly select an independent and impartial arbitrator (the "Arbitrator"). The Arbitrator shall have such expertise as the parties to the dispute agree is relevant. The Arbitrator may be removed only by unanimous action of the parties to the dispute. If the parties to the dispute are unable to agree upon the selection of the Arbitrator within thirty (30) days after the Mediation Deadline Date or such later date as to which they mutually agree in writing, application shall be made to the American Arbitration Association in Chicago, Illinois ("AAA"), for the selection and appointment of the Arbitrator. The arbitration proceeding shall be conducted in accordance with the then-current rules of the AAA for arbitration of business disputes, to the extent that such rules are not inconsistent with Section 15.14. The Arbitrator may modify the procedures set forth in such rules from time to time with the prior approval of the parties to the dispute. The place of such arbitration shall be Chicago, Illinois, or such other location agreed to by the parties to the dispute. The arbitration proceedings shall be concluded within one hundred eighty (180) days of the appointment of the Arbitrator or such later date as the parties to the dispute mutually agree in writing. Within thirty (30) days of the conclusion of the arbitration proceedings, the Arbitrator shall present to the parties to the dispute a written statement of the determination regarding the dispute. Failure to submit a position by any party to the dispute shall be deemed an acceptance by such party of the other party's position, and shall constitute a final, binding and specifically enforceable decision against such party.

(e) Costs and Expenses. The fees and expenses of the Mediator and/or Arbitrator shall be shared equally by each party to the dispute. Except as otherwise provided in the proceeding sentence, each party to the dispute shall bear all costs and expenses incurred by it in connection with the conduct of the procedures described in Section 15.14.

(f) Confidentiality. Any dispute resolution proceeding (including without limitation any mediation proceeding) held pursuant to Section 15.14 shall not be public. In addition, except as may be required by law, each party to the dispute, their respective representatives, the Mediator and the Arbitrator shall strictly maintain the confidentiality of all issues, disputes, arguments, positions, interpretations, awards, determinations, enclosures, exhibits, summaries, compilations, studies, analyses, notes, documents, statements, schedules and other similar items associated therewith.

15.15 Investment Representations. The undersigned Members understand (i) that the Membership Interests issued pursuant to this Operating Agreement

have not been registered under the Securities Act of 1933 or any state securities laws (the "Securities Acts") because the Company is issuing these Membership Interests in reliance upon the exemptions from the registrations requirements of the Securities Acts providing for issuance of securities not involving a public offering, (ii) that the Company has relied upon the fact that the Membership Interests are to be held by each Member for investment, and (iii) that exemption from registrations under the Securities Acts would not be available if the Membership Interests were acquired by a Member with a view to distribution.

Accordingly, each Member hereby confirms to the Company that such Member is acquiring a Membership Interest for such own Member's account, for investment and not with a view to the resale or distribution thereof without complying with an exemption for registrations under the Securities Acts. Each Member agrees not to transfer, sell or offer or sale any of portion of the Membership Interest unless there is an effective registration or other qualification relating thereto under the Securities Acts or unless the holder of the Membership Interest delivers to the Company an opinion of counsel, satisfactory to the Company, that such registration or other qualification under such Securities Acts is not required in connection with such transfer, offer or sale. Each Member understands that the Company is under no obligation to register the Membership Interests or to assist such Member in complying with any exemption from registration under the Securities Acts if such Member should at a later date wish to dispose of the Membership Interest. Furthermore, each Member realizes that the Membership Interests are unlikely to qualify for disposition under Rule 144 of the Securities and Exchange Commission.

Prior to acquiring a Membership Interest, each Member has made an investigation of the Company and its business and the Company has made available to each such Member all information with respect thereto which such Member needed to make an informed decision to acquire a Membership Interest. Each Member considers himself to be a person possessing experience and sophistication as an investor which are adequate for the evaluation of the merits and risks of such Member's investment in a Membership Interest.

15.16 Execution of Notes, Checks, Contracts and Other Instruments. Subject to Section 6.6 hereof, all notes, bonds, drafts, acceptances, checks, endorsements (other than for deposit), guarantees and all evidences of indebtedness of the Company whatsoever, and all deeds, mortgages, contracts and other instruments requiring execution by the Company, may be signed by the President, any Vice President or the Treasurer, and authority to sign any of the foregoing, which may be general or confined to specific instances, may be conferred by the Board of Managers upon any other person or persons. Any person having authority to sign on behalf of the Company may delegate, from time to time, by instrument in writing, all or any part of such authority may be general or confined to specific instances. Facsimile signatures on checks may be used if authorized by the Board of Managers.

IN WITNESS WHEREOF, the parties hereto have caused their signatures, or have caused the signatures of their duly authorized representatives, to be set forth below on the day and year first above written.

TKZ HOLDING CORP.

By: David M. Kelly

Its: President

TUKAIZ LITHO, INC.

By: Frank Defino, Sr.

Frank Defino, President

MATTHEWS INTERNATIONAL CORPORATION AND SUBSIDIARIES
EXHIBIT 11 - COMPUTATION OF EARNINGS PER SHARE
FOR THE THREE MONTHS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
	----	----
1. Net income	\$ 4,304,408	\$ 4,245,989
2. Weighted average number of common shares outstanding during the period	8,748,654	8,850,350
3. Shares issuable upon exercise of dilutive stock options outstanding during period, based on higher of average or period-end values	194,481	60,714
4. Weighted average number of common shares outstanding during the period, assuming full dilution (2 + 3)	8,943,135	8,911,064
5. Primary earnings per share (1 divided by 2)	\$.49	\$.48
6. Fully diluted earnings per share (1 divided by 4)	\$.48	\$.48

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S QUARTERLY REPORT ON FORM 10-Q FOR THE THREE-MONTH PERIOD ENDED DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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