

OPERATING AGREEMENT

for

_____, LLC
a California Limited Liability Company
(Self-Directed IRA)

1. FORMATION:

1.1 Date of Agreement: _____, 20_____.

1.2 Name of Limited Liability Company: _____, LLC,
a California Limited Liability Company.

1.3 Place of Business: The address of the Limited Liability Company is _____
_____.

The address may be changed by the Manager by giving at least 10 days' prior written notice to the members.

1.4 Management: Management of the Limited Liability Company is vested in a single Manager. The Manager of the Limited Liability Company is _____.

1.5 The only contributing member to this Limited Liability Company is _____
_____.

1.6 Applicable Law: The Limited Liability Company is formed under the part of the California Corporations Code known as the Beverly-Killea Limited Liability Company Act.

1.7 Articles of Organization: The Manager will file articles of organization for the Limited Liability Company (Form LLC-1) with the California Secretary of State.

1.8 Purpose: The Limited Liability Company's purpose is to hold title and operate real estate fee interests and purchase and fund notes secured by deeds of trust as long-term investments.

1.9 Term of the Limited Liability Company: The Limited Liability Company starts on the date of this agreement and will end 30 years from the date unless terminated earlier.

1.10 Limited Liability: No member or Manager is liable for any Limited Liability Company losses greater than his capital contribution.

2. CAPITAL CONTRIBUTIONS AND DISTRIBUTIONS OF FUNDS:

2.1 Capital Contributions: The Limited Liability Company's capital is: _____ dollars (\$_____) as contributed by the member named in section 1.5 above.

2.3 Definition of "Spendable Income": "Spendable Income" means net receipts remaining from ownership of assets by the Limited Liability Company after deductions for all expenditures on operating expenses and reserves.

2.4 Distribution of Spendable Income: Spendable Income is to be distributed exclusively to the contributing member named in section 1.5 above.

2.5 Participation in Proceeds of Sale: Net proceeds from the sale or refinance of all or some of the Limited Liability Company property is distributed, if at all, exclusively to the contributing member named in section 1.5 above.

3. MANAGEMENT, COMPENSATION, DUTIES AND POWERS:

3.1 Management of Limited Liability Company Property: The Manager has full charge of the management of the Limited Liability Company property.

3.2 Compensation: No member or Manager is to be paid for working for the Limited Liability Company or for being a member.

3.3 Duties: The Manager is to do what is needed to conduct the Limited Liability Company business.

3.4 Indemnification: Except for a breach of fiduciary duty to the Limited Liability Company and its members, the Limited Liability Company hereby indemnifies the Manager and officers against judgments, settlements, penalties, fines or expenses of any kind incurred as a result of acting as an agent of the Limited Liability Company.

4. ACCOUNTS AND ACCOUNTING:

- 4.1 Inspection of Limited Liability Company Records: The Limited Liability Company is to maintain accurate books at its principal office on the cash method of accounting. All members may inspect such books at reasonable times upon reasonable notice. A separate income and capital account is to be maintained for each member.
- 4.2 Annual Audit and Report to Members: The Manager is to audit the books and deliver to each member, within 30 days after the end of each calendar year, a balance sheet and annual operating statement showing the distributions to each member all income, expenses and interest received in the ownership and operation of the property. The contributing member may order an audit of the Limited Liability Company books, at the Limited Liability Company's expense, by an accountant named by that member.
- 4.3 Annual Income Tax Returns: The company is to file a federal partnership income tax returns (Federal Income Tax Form 1065 and Schedule K-1).
The Limited Liability Company is to file a Limited Liability Company return (Franchise Tax Board Form 568) annually with the California Franchise Tax Board.

5. DISSOLUTION OF LIMITED LIABILITY COMPANY AND DISTRIBUTION OF CAPITAL:

- 5.1 Dissolution:
 - a. The Limited Liability Company is to be dissolved when all the members agree.
- 5.2 Accounting: Upon dissolution, the Manager is to take account of Limited Liability Company assets and liabilities. The assets are to be sold quickly and for fair value.
- 5.3 Termination of Business: The Limited Liability Company will do no further business after dissolution other than that needed to wind up the business and distribute the assets.
- 5.4 Distribution of Proceeds: Proceeds from the liquidation of Limited Liability Company assets and non-liquidated assets are to be distributed as follows:
 - a. All Limited Liability Company liabilities are to be first be paid;
 - b. All remaining funds are to be distributed to the contributing member.

6. LIMITATIONS ON MEMBERS' AUTHORITY:

- 6.1 Manager: Unless all members consent in writing, the Manager may not violate this agreement, make it impossible to perform the Limited Liability Company's business, or confess to judgment against the Limited Liability Company.

7. SPECIAL ADVISOR TO THE LLC:

- 7.1 The LLC will engage and maintain at all times an unrelated Special Advisor, a Certified Public Accountant (CPA), who will be consulted with respect to any proposed exchange, transfer, provision of goods and services, purchase, sale, income allocation, or other transaction involving the LLC or its assets.
 - a. The purposes for engaging the Special Advisor is for determining whether, with respect to any investing IRA, the transaction may be a "prohibited transaction" or "listed transaction," may generate "unrelated business taxable income" or "unrelated debt-financed income," or violate any requirement of Section 408 of the Internal Revenue Code.
 - b. The Special advisor will be: _____.
- 7.2 The LLC Managing Member has the right to appoint, remove, or upon resignation, replace the Special Advisor.
 - a. Upon the termination of services of the Special Advisor, the LLC will notify _____ (custodian) and submit a new Special Advisor Engagement and Representation Letter, naming a replacement Special Advisor.
 - b. The LLC agrees not to engage in any transactions, etc. as outlined above until a replacement Special Advisor has been appointed. The appointment shall be in writing, and an executed copy of which shall be provided to _____ (custodian).

8. MISCELLANEOUS PROVISIONS:

- 8.1 Validity: If any part of this agreement is invalid, the validity of the remainder of the agreement will not be affected.
- 8.2 Notice: All notices will be written and personally delivered or sent by regular mail and registered, or by certified mail, return receipt requested, postage prepaid, to the parties and to the Limited Liability Company at the address stated herein.
- 8.3 Survival of Rights: This agreement binds the parties and their successors in interest.

9. _____

I AGREE TO THE TERMS OF THIS OPERATING AGREEMENT.

Date: _____, 20____
Manager:
Name: _____

Signature: _____
Address: _____

Phone: _____ Cell: _____
Email: _____

Contributing Member:
Name: _____
By: _____
Title: _____

Signature: _____
Address: _____

Phone: _____ Cell: _____
Email: _____