OPERATING AGREEMENT
of
ASSOCIATES EQUITY FUND VII, LLC

MEMBERSHIP INTERESTS (THE "INTERESTS") IN ASSOCIATES EQUITY FUND VII, LLC (THE "COMPANY" OR "AEF") HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), THE SECURITIES LAWS OF ANY STATE OR ANY OTHER APPLICABLE SECURITIES LAWS IN RELIANCE UPON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH LAWS. SUCH INTERESTS MUST BE ACQUIRED FOR INVESTMENT ONLY AND MAY NOT BE OFFERED FOR SALE, PLEDGED, HYPOTHECATED, SOLD, ASSIGNED OR TRANSFERRED AT ANY TIME EXCEPT IN COMPLIANCE WITH (I) THE SECURITIES ACT, ANY APPLICABLE STATE SECURITIES LAWS AND ANY OTHER APPLICABLE SECURITIES LAWS; AND (II) THE TERMS AND CONDITIONS OF THIS AGREEMENT. INTERESTS IN THE COMPANY MAY NOT BE TRANSFERRED EXCEPT IN COMPLIANCE WITH SUCH LAWS AND THIS AGREEMENT. HOLDERS OF INTERESTS IN THE COMPANY WILL BE REQUIRED TO BEAR THE RISK OF THEIR INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

PROSPECTIVE HOLDERS OF INTERESTS IN AEF VII MUST READ THE ENTIRETY OF THE COMPANY'S CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM, SUBSCRIPTION AGREEMENT AND THIS AGREEMENT BEFORE ACQUIRING INTERESTS.

OPERATING AGREEMENT
of
ASSOCIATES EQUITY FUND VII, LLC

THIS AGREEMENT is made and entered into as of even date herewith below, among (i) JSSO Management, LLC (the "Manager" or "Management"), (ii) the "Sponsors" as defined in Exhibit A and (iii) the other persons or entities who have by separate Subscription Agreement (tendered to and accepted by Management) subscribed for interests herein as Class A members. ("Investors"). The parties identified in this paragraph will be referred to collectively as "Members."

Select Definitions.

"Act" means the California Revised Limited Liability Company Act from time to time in force in the State.

"Agreement" means this Operating Agreement, as originally executed and as amended, modified, supplemented or restated from time to time.

"Base Rate" means a rate equal to the prime rate of interest as published from time to time in *The Wall Street Journal* (US Edition) or similar publication if *The Wall Street Journal* (US Edition) is not available.

"Charter" means the articles of organization, certificate of formation or similar instrument, as amended from time to time, issued by the State of California evidencing the formation of the Company. The Charter was filed on February 1, 2017 and bears California Secretary of State File No. 201704410090.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Company" means the limited liability company formed upon the filing of the Charter and whose affairs are governed by this Agreement.

"Management" is a reference to the person or persons vested with the authority to manage the Company's affairs, namely, the Manager. The Company is a "manager-managed" limited liability company. See Article 7.

"Manager" means each person and/or entity identified as such in this Agreement, including any persons subsequently appointed as such in accordance with Article 7.

"Member" means the persons identified as such in this Agreement, including persons subsequently admitted to the Company as Members in accordance with Article 9.

"Profit Percentages" has the meaning set forth in Section 5.1.

"Sponsor" means the individuals, entities or group of people identified on the attached Exhibit "A".

"State" means the State of California, which has issued the Company's Charter.

Article 1
Organizational Matters

1.1 Formation and Statutory Authority.

(a) *Formation*. The Company was formed upon the issuance of the Charter by the State. The Members and Management hereby ratify and adopt the acts and conduct of the Company's organizer in connection with the filing of the Charter as acts and conduct by and on behalf of the Company. The organizational and other activities for which the organizer was responsible have been completed and the organizer is hereby relieved of any further duties and responsibilities in that regard; the organizer is hereby released and indemnified by the Company from any liability on account of its actions in connection with the formation of the Company.

(b) *Statutory Authority*. The Company shall operate as a limited liability company in accordance with this Agreement and the Act. The rights and obligations of the Members and Management among themselves and in relation to the Company shall be determined in accordance with this Agreement and the Act. To the extent that anything contained in this Agreement conflicts with the Act, or modifies, supplements or otherwise affects any rights or obligations under the Act, this Agreement shall supersede the Act, except to the extent expressly restricted by the Act.

1.2 Filings. Management shall make such filings and do or cause to be done such other acts and things as shall be required to continue the existence of the Company in the State and shall cause the Company to be qualified or registered under assumed or fictitious names statutes or similar laws in any jurisdiction in which the Company owns property or transacts business to the extent the same is necessary or, in the judgment of Management, advisable in order to protect the limited liability of the Members or to permit the Company to lawfully own property or transact business. Management shall, to the extent necessary or advisable, in the judgment of Management, execute, file and publish all such certificates, notices, statements or other instruments necessary to permit the Company lawfully to own property and conduct business as a limited liability company in all jurisdictions where the Company elects to own property or transact business and to maintain the limited liability of the Members.

1.3 Name. The name of the Company is the name set forth in the heading of this Agreement. The affairs of the Company shall be conducted under the Company name or such other name as Management may select in accordance with the Act. If the Company uses a fictitious or assumed name, Management shall execute and file all certificates required by any jurisdiction in which the activities of the Company make it necessary or desirable to do so. The Company shall have the exclusive ownership of and right to use the Company name and any other names under which the Company conducts its affairs.

1.4 Principal Office of the Company. The principal office of the Company shall be located at such place within or outside the State as Management may from time to time designate. The Company may have secondary offices at such other place or places as Management may from time to time designate.

1.5 Records to be Maintained. Management shall at all times during the continuance of the Company keep at the Company's principal office such records and information as the Company may be required to maintain in accordance with the Act.

1.6 Registered Office and Registered Agent. Management shall designate a registered office and a registered agent in accordance with the Act. Management has the right to change the Company's registered office and/or registered agent from time to time in accordance with the Act. Management shall select and designate a registered office and registered agent for the Company in each other state in which the Company is required to maintain or appoint one.

1.7 Class Units and Voting Rights. Sponsor and Management will be Members of the Company and their ownership interests will be divided into two classes of Units. Investors will have Units which carry economic rights but not voting rights ("Class A" Units). Sponsor and Management will have Units which carry both economic and voting rights ("Class B" Units).

(a) *Class A Membership*. Class A membership has the following attributes:

(i) The minimum investment for each Class A Investor is $10,000 or such other amount set forth in the Investment Package, though the Manager has discretion to accept a lesser amount;

(ii) Class A members will receive a total of 86.5% of distributions of any net proceeds of which Manager may from time to time, in Manager's sole and complete discretion, distribute;

(iii) Class A Members will receive a total of 86.5% of any net proceeds from capital events; and

(iv) Class A has no voting rights.

(b) *Class B Membership*. Class B membership has the following attributes:

(i) Class B members will receive a total of 13.5% of distributions of any net proceeds of which Manager may from time to time, in Manager's sole and complete discretion, distribute.

(ii) Class B members will receive a total of 13.5% of any net proceeds from capital events;

(A) Five percent (5%) of the net proceeds from net proceeds due to Class B Units (5% of 13.5%) from a given real-estate investment of the Company will be set aside in a pool for distribution equally to the Lee & Associates agent(s) responsible for securing particular real estate investment(s) of the Company, except that such agent(s) hereby agree to that they will receive no voting rights with this distribution and that if there is more than one real estate investment introduced to the Company by Lee & Associates agent(s) then the 5% shall be distributed amongst the agents based upon a formula determined by the purchase price of the deal and the closing date of the purchase; and

(iii) Class B has voting rights, except as detailed in 1.7(b)(ii) above.

Article 2
Purpose of the Company

The purpose of the Company is to acquire, own, develop, improve, lease, operate, manage, maintain, finance, refinance, sell, exchange or otherwise deal with and dispose of the real property as a long-term investment, including, but not limited to all or a portion of that real property commonly known as 30801 Agoura Road, Agoura Hills, CA 91301 and all improvements, additions, replacements, easements and any and all other rights appurtenant thereto, and all personal property that might be used or useful used in connection therewith (collectively, the "Property"), and undertake such other activities related or

incidental thereto as Management may determine is in the interests of the Company. The Company may conduct all or any part of its activities directly or indirectly through one or more subsidiaries as determined by Management.

Article 3
Duration of the Company

3.1 Duration of the Company. The Company shall continue in perpetuity unless sooner dissolved in accordance with the other provisions of this Article, including at the Manager's sole discretion.

3.2 Winding-Up. The Company shall commence a winding-up of its affairs upon the earliest of:

(a) *Disposition of All or Substantially All of its Non-Cash Assets*. The sale or other disposition of all or substantially all of the Company's non-cash assets; but if the foregoing sale or other disposition involves (i) the receipt of a deferred payment obligation, whether or not secured, or (ii) the receipt of payment in whole or in part in kind, then at Management's election the term of the Company shall not end, and it shall continue, subject to the other provisions of this Agreement, until the earlier of the time that (A) the deferred payment obligation shall have been paid in full, (B) the in kind considerations received by the Company shall have been sold or otherwise converted to cash or (C) Management elects to distribute the deferred payment obligation or in kind considerations.

In the event that Management wishes to reinvest all or substantially all of the net proceeds of the disposition of the Property in like-kind property (within the meaning of Internal Revenue Code Section 1031), the term of existence of the Company shall not end, and it shall be continued, subject to the other provisions of this Agreement, provided that substantially all of said net proceeds are reinvested in like-kind property within 180 days of such disposition. Management shall so notify the Members prior to the disposition of the Property and shall be authorized to make conforming changes to Article 3.

(b) *Decision of Management*. Upon Management's decision to do so, Management shall provide the Members with notice of its decision to commence the winding-up of the Company, and upon the consent of 50 percent or more of the voting interests of the members per Cal. Corp. Code Section 17707.01(b), Management shall commence the winding-up of the Company.

(c) *Judicial Dissolution*. Upon the entry of a judicial decree of dissolution of the Company in accordance with the Act.

The winding-up of the Company shall be conducted in accordance with this Agreement generally and Article 15 in particular.

3.3 Continuation of Company Upon Certain Events. The death, disability, court declaration of incompetence, bankruptcy, dissolution, liquidation or other dissociation of a Member shall not dissolve the Company, but it shall be continued with the successor or legal representative of such Member; such successor or legal representative shall, to the extent of the interest acquired, be entitled only to the predecessor Member's rights, if any, in the distributions of the Company, and no such person shall have any right to participate in the management of the affairs of the Company or vote on any Company matter without the written consent of Management. See Article 9 for additional provisions applicable to any such successor or legal representative.

Article 4
Capital Contributions to the Company

4.1 Initial Capital Contributions. Each Member shall contribute to the Company $5,000 per unit of Interest ($10,000 minimum/$300,000 maximum), or a lesser or greater amount the Manager may accept in is sole discretion, for which it has subscribed in the Subscription Agreement that it has tendered to and that has been accepted by the Company.

4.2 Additional Capital Contributions. Except as set forth in this Agreement or as required by the Act, no Member shall be required to make additional capital contributions.

(a) *By Agreement of Members*. The Members may, by unanimous agreement, if accepted by the Manager, at any time or from time to time, make additional capital contributions to the Company.

(b) *By Action of Management*. If Management determines that it is necessary or desirable for the Company to obtain additional funds in the form of additional capital contributions, then:

(i) Management shall send to each Investor a notice (the "First Requirement Notice"), which shall advise Investors as to the total amount of capital required by the Company (the "Requirement Amount"), the portion of the Requirement Amount which may be contributed by each Investor (determined *pro rata* according to the Members' Profit Percentages) and the date on which such capital is required to be contributed to the Company (the "Requirement Date"). The Requirement Date shall be not less than 10 days after the date of the First Requirement Notice.

(ii) Should any Investor not exercise its option to contribute capital by the Requirement Date, (i) Management may (but shall not be obligated to) send to each Investor who made contributions pursuant to clause (i) a notice (the "Second Requirement Notice") of the uncontributed portion of the Requirement Amount, each of whom may elect to make a further capital contribution to the Company by delivering written notice of the intent to contribute additional capital to Management, within 5 days of the date of the Second Requirement Notice. The Investor's notice to Management shall include a statement of the maximum amount of the uncontributed Requirement Amount such Investor would be willing to contribute. The portion of the uncontributed Requirement Amount that may be contributed by each Investor shall be determined by Management ratably according to the relative maximum amounts that the Investors propose to contribute in their notices to Management or otherwise as Management shall determine and shall be paid by the Investor to the Company immediately upon demand therefor. No Investor, however, shall be required to pay more than the maximum amount it proposed to contribute to the Company.

(iii) Additional capital contributions under this Section are voluntary, but once an Investor has agreed to make an additional capital contribution hereunder, the Company shall have all of the rights and remedies at law, in equity and as set forth in this Agreement resulting from the failure of the Investor to make such capital contribution.

(iv) In the event that the entire Requirement Amount is not contributed by all Investors in proportion to their Profit Percentages in effect immediately prior to the First Requirement Notice, the Profit Percentages of the Investors shall be adjusted with

prospective effect to take account of the additional capital contributions made by the contributing Investors in relation to the sum of (A) those additional capital contributions and (B) in Management's discretion, either (i) the aggregate amount of the capital contributions (whether or not returned) of the Investors immediately prior to the additional capital contributions or (ii) the net fair market value of the Company's assets at such time (as determined by Management).

(v) When calculating Member Requirement Amounts, any Investor's Profit Percentage such as a so-called "carried interest" will not be included. The Requirement Amounts of the Investors shall be calculated with reference to the relative Profit Percentages that are not carried interests. Sponsor and Management's Profit Percentage is a carried interest and shall not be subject to dilution.

4.3 Defaulting Members. The Company shall be entitled to enforce the obligations of each Member to make the contributions specified in this Article, and the Company acting at the direction of Management shall have all remedies available at law or in equity in the event any such contribution is not so made. The Company shall be entitled to recover the reasonable attorney's fees and other costs of enforcing the Members' obligations under this Article and shall also be entitled to recover interest on any unpaid contributions, from the due date of such capital contribution, at 400 basis points over the Base Rate from time to time in effect.

Article 5
Distributions by the Company

5.1 Definitions. The following terms shall have the following meanings:

(a) "*Available Cash*" shall consist of all cash on hand of the Company irrespective of its source, excluding, however, (i) "Capital Event Proceeds" (as defined below) and (ii) such reserves as Management may establish.

(b) "*Capital Event Proceeds*" shall consist of the net amount of cash received by the Company from the sale, exchange, refinancing, condemnation, casualty loss or other disposition by the Company of its assets outside of the ordinary course of business, less (i) the portion thereof disbursed by Management for the payment of the Company's debts and expenses, (ii) the portion thereof disbursed by management for the purchase of any real property asset(s) for the Company, and (iii) such other reserves as Management may establish. Capital Event Proceeds shall include amounts distributed to the Company as an owner of another entity to the extent that the amount distributed, in the hands of the distributing entity, is in the nature of Capital Event Proceeds. Amounts released from a reserve of Capital Event Proceeds shall be treated as Capital Event Proceeds.

(c) "*Unreturned Capital*" consists of so much of a Member's capital contributions to the Company that have not been returned to such Member by way of distributions made under this Article that are identified (in the distribution provisions of this Article) as distributions of Unreturned Capital. If a person acquires all or a portion of another Member's interest in the Company, the transferee shall succeed to the corresponding proportion of the transferor Member's Unreturned Capital at the time of the transfer. When capital contributions have been made on different dates (capital contributions made on any date shall be referred to as a "tranche of capital"), distributions of Unreturned Capital as provided for in this Article may in the Manager's sole discretion be made in the reverse order in which capital contributions were made (*i.e.*, the most recent tranches of capital may be returned first). For purposes of the preceding sentence, Management may treat (i) all initial capital contributions as having been made on the same date and (ii) all

additional capital contributions that have been made in response to a single call for additional capital as having been made on the same date. Distributions among Members who contributed to a tranche of capital shall be in proportion to their respective contributions to that tranche of capital. Distributions may be made to Sponsor at the same time as to Investors, without regard to whether all Investors' unreturned capital and/or distributions have been paid first.

(d) The "*Profit Percentage*" of each Investor shall be 86.5 percent multiplied by a fraction, the numerator of which is each such Investor's aggregate capital contributions to the Company (whether or not returned) and the denominator of which shall be the sum of the aggregate capital contributions to the Company (whether or not returned) of all Members. With respect to Sponsors and/or Management's carried interest, Sponsor and/or Management shall have a Profit Percentage of 13.5 percent. Insofar as a member of Management or a sponsor has a Profit Percentage, it shall also be considered a Member for purposes of this Agreement.

5.2 Distributions of Available Cash. In Management's sole and complete discretion, available Cash may be distributed to the Members in such amounts and at such times as Management shall determine:

(a) Among the Members in proportion to, and to the extent of, their Unreturned Capital;

and/or

(b) Among the Members according to their Profit Percentages.

In Management's sole and complete discretion, Management may at any time and/or from time to time make distributions in accordance with the Members' Unreturned Capital balances before distributions are made in accordance with the Members' Profit Percentages or in reverse order as the Manager determines.

5.3 Distributions of Capital Event Proceeds. Capital Event Proceeds shall be distributed to the Members at such time as Management shall determine in the rank and order as determined by the Manager in its sole and complete judgment and discretion:

(a) Among the Members in proportion to, and to the extent of, their Unreturned Capital;

and/or

(b) Among the Members according to their Profit Percentages.

In Management's sole and complete discretion, Management may at any time and/or from time to time make distributions in accordance with the Members' Unreturned Capital balances before distributions are made in accordance with the Members' Profit Percentages or in reverse order as the Manager determines.

5.4 Withholding of Taxes. If the Company is required to pay or withhold any Federal, state, foreign or local taxes levied on all or part of a Member's allocable share of the Company's income, the Company shall have the right to do so and such payment or withholding by the Company shall be treated as a distribution to the Member for whom such payment or withholding is made and shall reduce the amount of future distributions to be paid to such Member. In Management's discretion, the Member for whom such payment or withholding would be made shall make a capital contribution of immediately available funds in the amount of any funds needed by the Company to satisfy such liability within three days after being so notified by the Company. Should a Member fail to timely make any such capital contribution, such Member

shall be in breach of its obligations under this Agreement and shall indemnify and hold the Company and the other Members harmless for any costs, penalties, payments or damages incurred by the Company or the other Members as a result of such failure, and such Member shall pay the Company interest in respect of any disbursements made by the Company as a result of such Member failing to timely make the capital contributions required by this Section at 400 points over the Base Rate from time to time in effect. A Member shall also reimburse the Company for any costs and expenses incurred in connection with making any filings (including a share of the cost and expense of any composite filings Management may elect to make) or otherwise in connection with the administration of taxes described in this Section. The Company shall have the authority to apply and setoff any distributions to which such defaulting Member would otherwise be entitled towards the satisfaction of the liabilities of the Company referable to such Member under this Section. This Section shall also have application to taxes that are not in the nature of withholding taxes but are assessable against the Company with reference to (or where there is exemption from based upon) the status or nature of a Member.

5.5 Priorities. Except as may be expressly provided in this Agreement, no Member shall have a priority right over any other Member as to distributions.

5.6 Interest on Capital Contributions. Except as may be expressly provided in this Agreement, no interest shall be allowed to any Member upon the amount of its Unreturned Capital.

5.7 Set-Off Rights. The Company shall be entitled to set-off against any distributions or other amounts that may be or become due to a Member from the Company any amounts that may be due from such Member to the Company or another Member.

5.8 Restrictions on Distributions. No distributions may be made to the Members if, after giving effect to such distributions, either the Company would be unable to pay its debts as they become due in the usual course of business or the net assets of the Company would be less than zero.

Article 6
Accounting and Tax Matters

6.1 Books of Account. Management shall cause proper and true books of account to be maintained for the Company in conformity with sound accounting principles consistently applied. There shall be recorded in the Company's books of account the particulars of all monies, goods or effects belonging to or owing to or by the Company, or paid, received, sold or purchased in the course of the Company's activities and all of such other transactions, matters and things relating to the Company as are usually entered in books of account kept by companies engaged in activities of a like kind and character.

6.2 Method of Accounting and Fiscal Year. The Company's books of account shall be maintained on the cash or accrual basis, as determined by Management. The Company's fiscal year shall be the calendar year unless determined otherwise by Management.

6.3 Reports and Returns. As soon as practicable after the close of each fiscal year Management shall make available to each Member such statements as shall be necessary to advise the Members properly about their investment in the Company for income tax reporting purposes. Management shall be responsible for engaging an accountant to prepare and to see to the filing of all Federal, state and local tax documents on behalf of the Company. Members acknowledge that the Company may not be able to provide all information required for income tax reporting purposes on a timely basis and that they should expect to extend the time for filing their income tax returns.

6.4 Capital Accounts. As part of the Company's books of account, an individual "Capital Account" shall be maintained for each Member at all times in accordance with sound accounting principles consistently applied.

(a) *Capital Account Maintenance Rules*. As part of the Company's books of account, an individual "Capital Account" shall be maintained for each Member at all times in accordance with Treasury Regulations Section 1.704-1(b). Consistent therewith each Member's Capital Account shall, *inter alia*, be increased by: (i) the amount of money contributed by such Member to the Company: (ii) the fair market value of property contributed by such Member to the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Code Section 752; (iii) allocations to such Member of Company income and gain (or items thereof), including income and gain exempt from tax; and decreased by: (w) the amount of money distributed to such Member (as a Member) by the Company; (x) the fair market value of property distributed to such Member (as a Member) by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Code Section 752); (y) allocations to such Member of expenditures of the Company described in Code Section 705(a)(2)(B) and (z) allocations to such Member of Company loss and deduction (or items thereof).

(b) *Unitary Capital Account*. A Member who has more than one interest in the Company shall have a single Capital Account that reflects all such interests, regardless of the class of interests owned by such Member and regardless of the time or manner in which such interests were acquired. In the event any interest in the Company is transferred in accordance with the terms of this Agreement, the transferee shall succeed to the Capital Account of the transferor to the extent it relates to the transferred interest, in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(l).

(c) *Book-Up and Book-Down Adjustments*. The Capital Accounts of the Members shall, in the discretion of Management, but only for a substantial non-tax business purpose, be adjusted to reflect a revaluation of Company property on the books of the Company (i) in connection with the contribution of money or property (other than a *de minimis* amount) to the Company by a new or existing Member as consideration for an interest in the Company; (ii) in connection with the distribution of money or other property (other than a *de minimis* amount) by the Company to a terminating or continuing Member as consideration for an interest in the Company; (iii) in connection with the grant of an interest in the Company (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Company; and (iv) on the last day of each fiscal year (but only if substantially all of the Company's property then consists of securities that are readily tradable on an established securities market and such adjustments are consistent with sound industry accounting practices). The Capital Accounts of the Members' shall also be adjusted at such times and in such circumstances as may be specified elsewhere in this Agreement. If distributions to the Members are to be made in whole or in part with reference to the Unreturned Capital balances of the Members, then in the discretion of Management, the Unreturned Capital balances of the Members shall also be adjusted in keeping with the foregoing provisions.

(d) *Section 704 Adjustments*. The Capital Accounts of the Members shall be increased or decreased in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(f) to reflect the manner in which the unrealized income, gain, loss or deduction inherent in such property (that has not been reflected in the Capital Accounts previously) would be allocated among the Members if there were a taxable disposition of such property for its fair market value (taking into account for such purposes Code Section 7701(g)) on the date of contribution or distribution or on the last day of each fiscal year, as the case may be. The Capital Accounts of the Members shall also be adjusted in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(g), as required by Treasury Regulations Sections 1.704-1(b)(2)(iv)(d) and 1.704-1(b)(2)(iv)(f), to the extent applicable, for allocations to them of income, gain, loss or deduction, as computed for book purposes, with respect to Company property.

(e) *Valuation of Assets*. For purposes of any revaluation under paragraphs (c) and (d), above, the assets of the Company shall be valued at fair market value as determined by Management in accordance with Treasury Regulations Section 1.704-1(b)(2)(iv)(h).

(f) *Adjustment to Tax Basis*. To the extent an adjustment to the adjusted tax basis of any Company asset is made pursuant to Code Sections 732, 734 or 743, the rules of Treasury Regulations Section 1.704-1(b)(2)(iv)(m) shall be taken into account in determining the Members' Capital Accounts.

6.5 Financial (Book) Allocations. The net profit or net loss of the Company, determined on an annual basis in accordance with sound accounting principles, shall be allocated as follows:

(a) *In the case of a net profit*:

(i) If any net losses were allocated in any prior fiscal year pursuant to clause (b):

(A) Among the Members to the extent of and in proportion to the prior period allocations made to them or their predecessors in accordance with clause (b)(iii), not previously eliminated by allocation under this clause. Allocations hereunder shall be made in the reverse order in which such net losses were originally allocated (*i.e.*, most recent net loss allocations are reversed first).

(B) Among the Members to the extent of and in proportion to the prior period allocations made to them or their predecessors in accordance with clause (b)(ii), not previously eliminated by allocation under this clause. Allocations hereunder shall be made in the reverse order in which such net losses were originally allocated (*i.e.*, most recent net loss allocations are reversed first).

(C) Then in accordance with clause (ii).

(ii) If net losses were not previously allocated among the Members pursuant to clause (b), or if clause (i)(C), applies, then among all of the Members according to their Profit Percentages.

(b) *In the case of a net loss*:

(i) If any net profits were allocated in any prior fiscal year in accordance with clause (a)(ii), then among the Members to the extent of and in proportion to the prior period allocations made to them or their predecessors in accordance with clause (a)(ii), not previously eliminated by allocation under this clause. Allocations hereunder shall be made in the reverse order in which such net profits were originally allocated (*i.e.*, most recent net profit allocations are reversed first).

(ii) Then among the Members, to the extent of and in proportion to their Unreturned Capital.

(iii) Then among the Members according to their Profit Percentages.

(iv) No allocation of loss or deduction shall be made to a Member to the extent such allocation causes or increases a deficit in such Member's Capital Account balance

at the end of the fiscal year to which such allocation relates; such loss or deduction shall instead be allocated among the other Members in accordance with their relative Profit Percentages, subject to the limitations of this clause; except that once all of the Members' Capital Account balances have been reduced to zero, such loss or deduction shall be allocated among the Members in a manner that Management determined fairly comports with the Members' economic interests in the Company and risk of loss.

(c) *Allocations in Respect of Carried Interests*. Allocations of net profits to Management in respect of its carried interest shall not be made until the fiscal year in which Management receives a distribution in respect of that carried interest, and then not in excess of the amount of such distribution.

(d) *Other Reasonable Methods*. In Management's discretion, the net profit or net loss of the Company may be allocated among the Members in accordance with any other reasonable method selected by Management that takes due account of the Members' economic interests in the Company and risk of loss as reflected by their capital contributions, rights to distributions and liability (direct and indirect) for the Company's debts and other obligations.

6.6 Tax Allocations. Except as provided herein, or as otherwise required by the Code or Treasury Regulations promulgated thereunder (including, without limitation, Treasury Regulations Section 1.704-1 and 1.704-2), Company income, gain, loss, deduction, credit and other partnership items, as computed for Federal income tax purposes, shall be allocated among the Members in the same manner as the corresponding book items are allocated pursuant to Section 6.5. Consistent with Section 6.5(c), income and gain allocations to the holder of a so-called carried interest shall not be made until the fiscal year in which the corresponding book items are actually distributed to Management.

(a) *Book-Tax Differences*. In accordance with Code Sections 704(b) and 704(c) and the Treasury Regulations promulgated thereunder, income, gain, loss and deduction with respect to any asset contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for Federal income tax purposes and its fair market value at the time of contribution to the Company.

(b) *Qualified Income Offset*. No allocation of loss or deduction shall be made to a Member to the extent such allocation causes or increases a deficit in such member's Capital Account balance at the end of the fiscal year to which such allocation relates. In determining whether any Member has a deficit Capital Account for purposes of the foregoing limitation, the Members' Capital Accounts shall be reduced for:

(i) Adjustments that, as of the end of the fiscal year, reasonably are expected to be made to the Members' Capital Accounts under Treasury Regulations Section 1.704-1(b)(2)(iv)(k) for depletion allowances with respect to oil and gas properties of the Company, if any.

(ii) Allocations of loss and deduction that, as of the end of the fiscal year, reasonably are expected to be made to the Members pursuant to Code Section 704(e)(2) and 706(d) and Treasury Regulations Section 1.751-1(b)(2)(ii).

(iii) Distributions that, as of the end of the fiscal year, reasonably are expected to be made to the Members to the extent they exceed offsetting increases to the Members' Capital Accounts that reasonably are expected to occur during (or prior to) the fiscal year in which such distribution is reasonably expected to be made under Treasury Regulations Section 1.704-2(f). For purposes of determining the

amount of expected distributions and expected Capital Account increases, the rules set out in Treasury Regulations Section 1.704-1(b)(2)(iii)(c) shall apply.

A Member who unexpectedly receives an adjustment, allocation or distribution described in the preceding clauses shall be allocated items of income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for such fiscal year) in an amount and manner sufficient to eliminate such deficit balance as quickly as possible. This paragraph is intended to and, in all events, shall be interpreted and applied so as to constitute a "qualified income offset" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(d).

(c) *Non-Recourse Deductions*. Non-recourse deductions (as defined in Treasury Regulations Section 1.704-2(b)(1)) shall be allocated in accordance with the Members' Profit Percentages, pursuant to Treasury Regulations Section 1.704-2(e)(2). Non-recourse deductions attributable to Member non-recourse debt (as defined in Treasury Regulations Section 1.704-2(b)(4)) shall be allocated to the Member or Members that bear the economic risk of loss for such debt in accordance with Treasury Regulations Section 1.704-2(i)(1).

(d) *Company Minimum Gain*. If there is a net decrease in "Company minimum gain" (*i.e.*, partnership minimum gain, as defined in Treasury Regulations Section 1.704-2(d)) during a fiscal year, each Member with a share of Company minimum gain as of the beginning of the fiscal year shall be allocated items of Company income and gain for such fiscal year (and, as necessary, for subsequent years) equal to that Member's share of the net decrease in Company minimum gain. This paragraph is intended to and shall in all events be interpreted and applied so as to constitute a "minimum gain chargeback" within the meaning of Treasury Regulations Section 1.704-2(f).

(e) *Member Non-Recourse Debt Minimum Gain*. If there is a net decrease in "Member non-recourse debt minimum gain" (*i.e.*, partner non-recourse debt minimum gain, as defined in Treasury Regulations Section 1.704-2(i)(3)) during a fiscal year, each Member with a share of Member non-recourse debt minimum gain as of the beginning of the fiscal year shall be allocated items of Company income and gain for such fiscal year (and, as necessary, for subsequent years) equal to that Member's share of the net decrease in Member non-recourse debt minimum gain. This paragraph is intended to and shall in all events be interpreted and applied so as to constitute a Member "non-recourse debt minimum gain chargeback" within the meaning of Treasury Regulations Section 1.704-2(i)(4).

(f) *Member Share of Liabilities*. A Member's share of the liabilities of the Company shall be determined under Code Section 752 and the Treasury Regulations promulgated thereunder. For purposes of allocating excess non-recourse liabilities under Treasury Regulations Section 1.752-3, the Members' "interests in...profits" shall generally be their Profit Percentages. In the discretion of Management, excess non-recourse liabilities may be allocated among the Members in accordance with the manner in which it is reasonably expected that the deductions attributable to those non-recourse liabilities will be allocated.

(g) *Curative Allocations*. The Company shall take into account any special allocations of items of income, gain, loss, or deduction pursuant to this Section in computing subsequent allocations pursuant to the other provisions of this Section so that the net amount of any items so allocated and all other items allocated to each Member pursuant to this Section shall, to the extent possible, be equal to the net amount that would have been allocated to each Member pursuant to this Section if the special allocations in this Section had not been made and so that duplicative allocations are avoided. In making allocations among the Members of any Company gain, the ordinary income portion, if any, of such gain caused by the recapture of cost recovery or other deductions shall be allocated among those Members who (or whose predecessors) were previously allocated the cost recovery or other deductions in proportion to the amount of such deductions previously allocated to them. It is intended that the Members shall bear the burden of

recapture caused by cost recovery or other deductions that were previously allocated to them or their predecessors in proportion to the amount of such cost recovery or other deductions that were allocated to them, notwithstanding that the Members' Profit Percentages may increase or decrease from time to time. Nothing in this paragraph, however, shall cause the Members to be allocated more or less gain than would otherwise be allocated to them pursuant to this Section.

(h) *Compliance with Code*. The allocations contained in this Section are intended to allocate Company tax items in accordance with the Members' economic interests in the Company while complying with the requirements of Code Section 704(b) and the Treasury Regulations promulgated thereunder. If in the opinion of the Company's tax advisors the allocation of tax items pursuant to the provisions of this Section do not (i) satisfy the requirements of Code Section 704(b) or the Treasury Regulations promulgated thereunder, (ii) comply with any other provision of the Code or Treasury Regulations or (iii) properly take into account any expenditure made by the Company or transfers of Company interests, then, notwithstanding anything to the contrary contained in this Section, tax items shall be allocated in such manner as Management determines so as to reflect properly the foregoing provisions (i) through (iii), and Management shall thereupon have the right to amend this Agreement without action by the Members to reflect any such change in the method of allocating Company tax items; provided, however that any change in the method of allocating tax items shall not alter the economic agreement among the Members.

6.7 <u>Changes in Profit Percentages</u>. In the event of any changes in any Member's Profit Percentage during a fiscal year, Management shall take into account the requirements of Code Section 706(d) and shall have the right to select any method of determining the varying interests of the Members during the fiscal year which satisfies Code Section 706(d).

6.8 <u>Tax Elections</u>. Management shall have the right to make (and revoke) any and all tax elections for the Company, including, without limitation, an election to adjust the tax basis of Company assets under Code Section 754.

6.9 <u>Administration of Tax Proceedings</u>. Management shall appoint, remove and replace the Company's "Tax Matters Partner" as defined in Code Section 6231(a)(7) (referred to herein as the "Tax Matters Member"). The Tax Matters Member shall have the right to resign by giving 30 days written notice to the Members. Upon the resignation of the Tax Matters Member, a successor Tax Matters Member shall be selected by Management.

6.10 <u>Federal Taxpayer Identification Number</u>. Management hereby authorizes the person or company it directs to apply for a Federal taxpayer identification number for the Company and to execute in connection therewith Internal Revenue Service Form SS-4 as an authorized signatory for and on behalf of the Company or any of its Members or members of Management.

Article 7
Management of the Company

7.1 <u>Management by Managers</u>. The affairs of the Company shall be managed and controlled by Management in accordance with this Agreement generally and this Article in particular.

(a) *Number*. The number of Managers that comprise Management is one.

(b) *Appointment of Manager.* The Members appoint the person or entity identified on the first page of this Agreement as the initial Manager of the Company.

(c) *Removal and Replacement of Manager*. JSSO Management LLC (and its successors collectively) shall have the authority at any time and from time to time to (i) remove the Manager from office and (ii) appoint a new Manager whenever there is a vacancy in the office of Manager. A successor Manager shall be entitled to all of the rights and privileges of the Manager, as Manager, to whose position it succeeded and shall be subject to all of the obligations of the predecessor Manager, as Manager, whether or not such successor Manager is a signatory to this Agreement. In the event there is a vacancy or JSSO Management LLC is no longer able to manage the Company and JSSO Management LLC cannot appoint a new Manager, then a new Manager shall be elected and duly appointed by a majority vote of the members of the Advisory Committee.

7.2 Authority of Management.

(a) *Exclusive Right to Manage*. Except as otherwise provided herein, Management shall have the sole and exclusive right and authority to operate, manage, conduct and control the affairs of the Company. Management shall make all decisions affecting the affairs of the Company and shall carry out the purposes of the Company as Management deems proper, convenient or advisable.

(b) *Power and Authority*. Without limiting the generality of the foregoing, and consistent with the purposes of the Company, Management shall have all of the rights, powers and authority under the Act and otherwise as provided by law, including the right, power and authority to acquire assets; purchase goods and services; sell, exchange, lease, license or otherwise deal in or with any and all assets of the Company; merge (subject to approval by a majority of members of each class per Section 17710.12) or convert to another business entity (subject to approval by a majority of members of each class per Section 17710.03); open and maintain one or more bank accounts and designate (and change the designation of) signatories thereon; borrow funds to finance the Company's activities and in connection with such borrowing, including but not limited to loans to purchase property, mortgage, hypothecate, pledge, lien or otherwise encumber the revenues and assets of the Company be the sole signatory necessary to execute documents for loans, purchases and sales of assets; guaranty the debts of affiliates and others when Management believes it will benefit the Company to do so; confess, settle, compromise or otherwise satisfy debts, claims, judgments and other obligations, including by way of a deed in lieu of foreclosure or similar transaction; enter into any contract or agreement or amend or cancel the same; and invest and reinvest any funds or other assets of the Company – all as incident to or necessary for the operations of the Company. Without limitation of the foregoing, and for the avoidance of any doubt, it is explicitly declared that Management has the right, power and authority to borrow money on behalf of the Company as well as sell, exchange or otherwise dispose of all or substantially all of the Company's assets, including in a transaction that is not in the ordinary course of business and the manager's signature alone shall be sufficient for the execution of any documents in furtherance of these purposes and authority.

(c) *No Duty to Inquire*. Nothing herein contained shall impose any obligation on any person or firm doing business with the Company to inquire as to whether or not Management has exceeded its power and authority in executing any agreement, contract, lease, loan, mortgage, security agreement, deed or other instrument on behalf of the Company, and any such third person shall be fully protected in relying upon such authority. Management may designate one or more persons to act as authorized signatories of the Company and the signatures of such authorized signatories on any agreement, contract, lease, mortgage, security agreement, deed or other instrument shall be binding on the Company.

7.3 Management's Time Commitment. Management shall cause as much time to be devoted to the business of the Company as, in its judgment, the conduct of the Company's business shall reasonably require.

7.4 Compensation of Management. In addition to its share of distributions as provided elsewhere in this Agreement, Management (or its affiliates) shall be entitled to the following fees:

(a) In respect of the management of the Company Assets, an annual fee of 1 percent of total Company equity as determined by an independent analysis using fair market value of the assets as determined by knowledgeable sources including Lee & Associates procuring, and/or other brokers who may be a Member of the Company .

(b) In respect of property management, unless same is outsourced, oversight and administration, a property management fee equal not to exceed 5 percent of the gross rents collected from the Property.

7.5 Expenditures by Management. The Company shall reimburse Management for any costs that may be or have been properly expended on behalf of the Company made out of funds other than those of the Company.

7.6 Related Business Partners. Management may employ, contract for services with, acquire or sell goods, property and materials from or to, borrow money from, and otherwise deal with any Member, the Manager, Sponsor, any member of Management or any affiliate of the foregoing, including without limitation, Lee & Associates, on any basis which is customary and competitive, or otherwise fair and reasonable.

7.7 Liability of Management. Management shall not be liable to a Member or the Company for honest mistakes of judgment, or for action or inaction, taken reasonably and in good faith for a purpose that was reasonably believed to be in the best interests of the Company, or for losses due to such mistakes, action or inaction, or for the negligence, dishonesty or bad faith of any employee, broker or other agent of the Company, but only if such employee, broker or agent was selected, engaged or retained and supervised with reasonable care. Management may consult with counsel and accountants in respect of Company affairs and be fully protected and justified in any action or inaction that is taken in accordance with the advice or opinion of such counsel or accountants, but if, and only if, they shall have been selected with reasonable care. The Members shall look solely to the assets of the Company for the return of their capital and, if the assets of the Company remaining after payment or discharge of the debts and liabilities of the Company are insufficient to return such capital, they shall have no recourse against Management for such purpose. Notwithstanding any of the foregoing to the contrary, the provisions of this Section shall not be construed to relieve (or attempt to relieve) any person of any liability by reason of gross negligence, recklessness or intentional wrongdoing or to the extent (but only to the extent) that such liability may not be waived, modified or limited under applicable law, but shall be construed so as to effectuate the provisions of this Section to the fullest extent permitted by law. This Section shall also apply to the officers, directors, shareholders, partners, members, managers, employees, trustees, agents and other representatives of any entity that is a member of Management.

7.8 Indemnification. Except to the extent caused by the person, the Company shall indemnify any person who is a party, or is threatened to be made a party, to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of the Company) asserted by a third party, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a manager, officer, employee, agent, affiliate or other representative of the Company, including, without limitation, the Manager, Sponsor, and their respective affiliates, or is or was serving at the request of the Company as a director, manager, officer, employee, agent, affiliate or other representative, including, without limitation, the Manager, Sponsor, and their respective affiliates, of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including reasonable attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably

incurred by the person in connection with the action, suit or proceeding, 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 or, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere* or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner that the person reasonably believed to be in, or not opposed to, the best interests of the Company or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that the person's conduct was unlawful. This Section shall also apply to the officers, directors, shareholders, partners, members, managers, employees, trustees, agents and other representatives of any entity that is a member of Management. Without limitation of the foregoing:

(a) *Indemnification for Actions by or in the Right of the Company*. To the full extent allowed by law, the Company shall also indemnify every person who is a party, or is threatened to be made a party, to any threatened or pending action or suit, by or in the right of the Company to procure a judgment in its favor by reason of the fact that the person is or was a manager, officer, employee, agent or other representative of the Company, or is or was serving at the request of the Company as a director, manager, officer, employee, trustee, agent or other representative of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against expenses (including reasonable attorney's fees) actually and reasonably incurred by the person in connection with the defense or settlement of the action or suit, 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, but no indemnification shall be made in respect of any claim, issue or matter to the extent to which the person shall have been adjudged to be liable for negligence or misconduct in the performance of the person's duty to the Company, unless, and only to the extent that, the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for those expenses as the court shall deem proper.

(b) *Expenses*. To the extent that a manager, officer, employee, agent or other representative of the Company has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in this Section or in defense of any claim, issue or matter therein, the person shall be indemnified against expenses (including reasonable attorney's fees and costs) actually and reasonably incurred by the person in connection therewith.

(c) *Determination*. Any indemnification under this Section (unless ordered by a court), shall be made by the Company only as authorized in the specific case, upon a determination that indemnification of the director, officer, manager, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in this Section. The determination shall be made (i) by Management, excluding any member of Management who is a party to the action, suit or proceeding; or (ii) by independent legal counsel in a written opinion, at the discretion of Management, excluding any member of Management who is a party to the action, suit or proceeding, or (iii) by Members holding a majority of the voting rights of Class B Units.

(d) *Payment in Advance*. Reasonable expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Company in advance of the final disposition of the action, suit or proceeding, as authorized by Management or Members in the specific case, as provided in the preceding paragraph, upon receipt of an undertaking by or on behalf of the person to be indemnified to repay that amount, unless it shall ultimately be determined that the person is entitled to be indemnified by the Company as authorized in this Section.

(e) *Indemnification Not Exclusive*. The indemnification provided by this Section shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the

Company's Charter, or any agreement, vote of members or disinterested managers, or otherwise, both as to action in the person's official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be a director, officer, manager, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person.

(f) *Insurance*. The Company may purchase and maintain insurance on behalf of any person who is or was a manager, officer, employee or agent of the Company and/or the Manager, or who is or was serving at the request of the Company as a director, officer, manager, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in any capacity, or arising out of the person's status as such, whether or not the Company would have the power to indemnify the person against the liability under the provisions of this Section.

(g) *Report to Members*. If the Company has paid indemnity or has advanced expenses to a manager, officer, director, employee or agent, the Company shall promptly make available a report on the indemnification to the Members.

(h) *Definitions*. For purposes of this Section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a manager, officer, employee, agent or other representative of the Company that imposes duties on, or involves services by Management, employee or agent with respect to an employee benefit plan, its participants or beneficiaries. A person who acted in good faith and in a manner the person reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Section.

7.9 Officers of the Company. Management may from time to time appoint one or more persons to act as authorized signatories to execute agreements, contracts, documents (including without limitation promissory notes, mortgages, security agreements and other loan documents) and other instruments (including without limitation deeds) on behalf of the Company. Management may also from time to time appoint one or more persons to serve as officers of the Company, in such capacities and with such delegated rights and powers as Management may approve. No such authorized signatory or officer shall have any different or greater rights and powers than Management has under this Agreement. Authorized signatories and officers appointed by Management shall be entitled to be indemnified by the Company in accordance with Section 7.8.

Article 8
Membership in the Company

8.1 Rights and Obligations of the Members. Unless a Member is a member of Management, and except as expressly provided in this Agreement to the contrary, no Member shall take part in the control or management of the Company, nor shall any Member have any authority to act for or on behalf of the Company or to sign for or bind the Company. Unless admitted to the Company as a Member in accordance with Article 9, no person who is not a signatory to this Agreement shall be considered a Member. The Company and Management need deal only with persons as Members that are so admitted and shall not be required to deal with any other person (other than with respect to distributions to assignees pursuant to assignments in compliance with Article 9) merely because of an assignment or transfer of an interest to such person or by reason of the incapacity of a Member. Any distribution made in accordance with this Agreement by the Company to the person shown on the Company records as a Member or to its legal representatives, or to the assignee of the right to receive Company distributions as provided herein, shall

acquit the Company and Management with respect to such distribution of all liability to any other person that may have an interest in or claim to such distribution by reason of any other assignment by the Member with respect to such distribution or by reason of such Member's incapacity, or for any other reason.

8.2 Liability. No Member shall be personally liable for any of the debts of the Company or any of the losses thereof beyond the amount contributed or required to be contributed by it to the Company under this Agreement and as otherwise specified in this Agreement or in the Act.

8.3 Expenditures of Members. In the discretion of Management, the Company may reimburse the Members for any costs that may be properly expended by them on behalf of the Company made out of funds other than those of the Company.

8.4 Partition and Accounting. No Member shall have the right to partition any property of the Company during the term of this Agreement, or while such assets are held in trust pursuant to Section 15.4, nor shall any Member make application to any court of authority having jurisdiction in the matter or commence or prosecute any action or proceeding for such partition and the sale thereof, and upon any breach of the provisions of this Section by any Member, the other Members, in addition to all of the rights and remedies in law and in equity that they may have, shall be entitled to a decree or order restraining and enjoining such application, action or proceeding. To the maximum extent permitted by law, the Members specifically renounce, waive and forfeit all rights, whether arising under contract or statute or by operation of law, to seek, bring or maintain any action in any court of law or equity for an accounting.

8.5 Resignations and Withdrawals. No Member shall be entitled to withdraw or resign from the Company, except pursuant to the terms of this Agreement. No Member shall be entitled to receive any money or property from the Company except (a) by way of distributions as provided pursuant to Article 5, (b) by way of distributions upon the winding-up of the Company pursuant to Article 15, (c) in respect of any loans to the Company then due and owing to such Member and (d) as expressly provided elsewhere in this Agreement.

8.6 Uncertificated or Certificated Securities. Unless Management decides otherwise, the interests of the Members in the Company shall not be certificated.

8.7 Trustee Liability.

(a) *Actions as Trustees*. When this Agreement is executed by the trustee of any trust, such execution is by the trustee, not individually, but solely as trustee in the exercise and under the power of authority conferred upon and vested in such trustee, and it is expressly understood and agreed that nothing herein contained shall be construed as creating any liability on the part of any such trustee personally to pay any amounts required to be paid hereunder, or to perform any covenant, either express or implied, contained herein, all such liability, if any, being expressly waived by the parties hereto by their execution hereof. Any liability of any Member which a trust, to the Company is or to any third person, shall be only that of such trust to the full extent of its trust estate and shall not be a personal liability of any trustee, grantor or beneficiary thereof.

(b) *Successor Trustee*. Any successor trustee or trustees of any trust which is a Member shall be entitled to exercise the same rights and privileges and be subject to the same duties and obligations as its predecessor trustee. As used in this Agreement, the term "trustee" shall include any or all such successor trustees.

(c) *Termination of Trust*. The termination of any trust which is a Member shall not terminate the Company. Upon the allocation or distribution of all or any portion of the Company interest of a trust

which is a Member pursuant to the exercise of any power of appointment, or otherwise, to a beneficiary of such trust or to another person or persons or to another trust or trusts, whether or not such distribution shall terminate such distributing trust, each such distributee shall be entitled to be admitted to the Company as a Member to the extent of the proportionate share of the Company interest distributed to it, subject to the terms of this Agreement, including, without limitation, the restrictions contained in Article 9.

Article 9
Transfers by Members and Issuance of Additional Interests

9.1 Transfers by Members.

(a) *Generally,* except as set forth herein, no Member shall sell, exchange, pledge, mortgage, hypothecate or otherwise transfer or encumber its interest in the Company without the prior written consent of Management. Any such transfer or encumbrance shall be void from inception and of no force or effect whatsoever. Direct or indirect transfers of interests in entities that are Members shall also be subject to the limitations of this Section.

(b) *Permitted Transferees*. Management shall not unreasonably withhold or delay its consent to a voluntary or testamentary transfer (direct or indirect) of all or any part of a Member's interest to a "Permitted Transferee." In the case of a Member who is an individual, a "Permitted Transferee" is (i) such Member's spouse; (ii) a lineal descendant or ancestor of such Member or a spouse of any of the foregoing; (iii) a trust established for the benefit of the Member or any person described in clauses (i) or (ii); (iv) any entity wholly-owned and controlled by the Member and/or any one or more of the persons described in clauses (i), (ii) or (iii); or (v) any other Member. In the case of a Member that is an entity (other than a trust), a "Permitted Transferee" is (i) any person who is directly or indirectly controlled by the Member or directly or indirectly controls the Member or (ii) any other Member; as used herein, "control" means possessing more than 50 percent of the capital, profits and voting rights of an entity. In the case of a Member that is a trust, a "Permitted Transferee" is (i) any individual beneficiary of such trust, (ii) a Permitted Transferee of such individual beneficiary or (iii) any other Member. Management may in its sole and complete discretion permit a transfer to an individual or entity that is not a Permitted Transferee as defined herein.

(c) *Restrictions on Assignments to Permitted Transferees*. Management may reasonably withhold its consent to an assignment, direct or indirect, of an interest in the Company if such assignment would (i) result in a termination of the Company for Federal income tax purposes, (ii) result in the Company not qualifying for an exemption from the registration requirements of any applicable Federal or state securities laws, (iii) result in any violation of any applicable Federal or state securities laws, (iv) result in a default under or the acceleration of any indebtedness of, or secured by assets of, the Company, (v) result in the Company having to register as an investment company under the Investment Company Act of 1940, as amended, (vi) require the Company, the Manager or any affiliate to register as an investment advisor under the Investment Advisers Act of 1940, as amended, (vii) result in a "prohibited transaction" under the Employment Retirement Income Security Act of 1974, as amended, or the regulations promulgated thereunder, or (viii) otherwise adversely affect the business, affairs or reputation of the Company.

9.2 Transfers by Management. Management is an agent of the Company and its interest in managing the affairs of the Company is not susceptible of being and may not be sold, exchanged, pledged, mortgaged, hypothecated or otherwise transferred or encumbered. Insofar as a member of Management is a Member or is otherwise entitled to distributions under Article 5, Section 9.1 shall govern the transfer of such member of Management's right to distributions and other economic interests in the Company.

9.3 Issuance of Additional Interests.

(a) *Additional Membership Interests*. Management may issue additional membership interests in the Company (including so-called carried interests), or options, warrants or other rights to acquire membership interests in the Company, to new or existing Members on such terms as Management may determine is fair and reasonable, including, without limitation, pursuant to plans or programs for employees and contractors of and other persons affiliated with the Company. Management may do so without the necessity of calling for additional capital contributions from existing Members in accordance with Section 4.2; the prerogatives of Management under this paragraph are in addition to its prerogatives under Section 4.2.

Notwithstanding any other provisions of this Operating Agreement, the Members hereby expressly acknowledge that Management may admit one or more individuals or entities who will be tenant-in-common co-owners, with Company, of the Property at the time that Company acquires its interest in the Property, as additional Class A Members of this Company (each, a "New Member" and collectively, the "New Members"), and each New Member shall contribute as its initial Capital Contribution its tenant-in-common fee interest in the Property. The Members hereby consent and agree to such admission and each New Member's Capital Account shall be adjusted to equal the fair market value, calculated on the pro-rata portion of the purchase price of the property, as of the time such interest is contributed to Company and net of New Member's pro-rata share of the debt, if any, which encumbers the Property at the time of contribution, of New Member's contributed tenant-in-common fee interest in the Property. Each New Member shall receive Units equal to the pro-rata purchase price of its contributed interest in the Property, as of the date of the acquisition by Company and New Member of the Property and net of New Member's pro-rata share of the purchase money debt, if any. The Company hereby agrees that in conjunction with admitting a New Member, it shall expressly assume the debt or financing encumbering New Member's contributed interest in the Property. Management is hereby authorized to prepare and execute all documents and instruments necessary to admit each New Members as a Class A Member of the Company and have each New Member bound to the terms and conditions of this Agreement, and to prepare and execute all documents and instruments necessary for the Company to assume the debt from the New Member.

(b) *Adjustment of Profit Percentages*. Upon the issuance of additional membership interests to new or existing Members, Management is authorized to adjust the Profit Percentages, Capital Accounts, Unreturned Capital balances and other attributes of the membership interests of the existing Members to take due account of the additional membership interests issued by the Company. The issuance of additional membership interests issued to new or existing Members shall not cause or otherwise result in the dilution of the so-called carried interest of any Member, Sponsor or member of Management.

(c) *Certificates of Designation*. Certificates of designation or other instruments may be issued by the Company describing the rights, entitlements and obligations of the additional membership interests issued by the Company. Such certificates of designation or other instruments shall not require Member approval notwithstanding that the same may affect the rights, entitlements and obligations of existing Members or otherwise appear to require Member approval pursuant to Section 14.1. Except as otherwise provided in such certificates of designation or other instruments, holders of additional membership interests shall be entitled to all of the rights and privileges of the original Members hereunder and shall be subject to all of the obligations and restrictions hereunder, and in all other respects their admission shall be subject to all of the terms and provisions of this Agreement.

(d) *Preemptive Rights*. Existing Members shall not have any preemptive rights to acquire any additional membership interests in the Company (or any options, warrants or other rights to acquire membership interests in the Company) that may be issued to other existing Members or new Members pursuant to this Section.

9.4 General Provisions. The following rules shall apply to transfers of Company interests and the admission of additional persons to the Company:

(a) *Procedure for Admission*. No person shall be admitted as a transferee or additional Member hereunder unless and until (i) in the case of an assignment of an interest in the Company permitted hereby, the assignment is made in writing, signed by the assignor and accepted in writing by the assignee, and a duplicate original of the assignment is delivered to and accepted by Management, and (ii) the prospective admittee executes and delivers to the Company a written agreement, in form and substance satisfactory to Management, pursuant to which said person agrees to be bound by this Agreement.

(b) *Binding Effect*. Any person acquiring or claiming an interest in the Company, in any manner whatsoever, shall be subject to and bound by all terms, conditions and obligations of this Agreement to which its predecessor in interest, if any, was subject or bound, without regard to whether such person has executed a counterpart hereof or any other document contemplated hereby. No person, including the legal representatives, heirs or legatees of a deceased Member, shall have any rights or obligations greater than those set forth herein and no person shall acquire an interest in the Company or become a Member except as permitted hereby.

(c) *Actions Prior to Acceptance of Assignment*. Notwithstanding that a person acquiring or claiming an interest in the Company is bound by all terms, conditions and obligations of this Agreement to which its predecessor in interest, if any, was subject or bound, the Company and Management shall be entitled to treat the assignor of the assigned interest as the absolute owner thereof in all respects and shall incur no liability for distributions made in good faith to such assignor prior to such time as the documents specified in this Section have been delivered to and accepted by Management. Any person to whom an interest in the Company is attempted to be transferred in violation of this Article or any other provision of this Agreement shall not have any of the rights of a Member of the Company otherwise provided under this Agreement or the Act, including, but not limited to, the right (i) to receive distributions from the Company, (ii) to vote on any matter, (iii) to participate in the management of the Company, (iv) to act as an agent of the Company, (v) to obtain any information or accounting of the affairs of the Company or (vi) to inspect the books or records of the Company. If, however, by law, the Company is required to recognize the purported transfer of a Member's interest in the Company, the purported transferee's rights shall be strictly an economic interest in the Company limited solely to distributions (and accompanying allocations of accounting and tax items) as provided by this Agreement with respect to such economic interest, and the Member whose interest in the Company has purportedly been transferred shall have no right to any distributions with respect to such interest in the Company. Any distributions to such purported transferee may be applied (without limiting any other legal or equitable rights of the Company) to satisfy any debts, obligations or liabilities that the transferor or transferee may have to the Company (including for damages). A Member attempting to engage in any purported transfer that has not been approved in writing by Management shall be liable to indemnify and hold harmless the Company and the other Members from all costs, liability and damages that they may incur (including, but not limited to, incremental tax liability and attorney's fees and expenses) as a result of such purported transfer; any purported transferee shall be jointly and severally liable to do the same, including by way of set-off as provided in Section 5.7. For purposes of this paragraph, an economic interest in the Company shall mean a person's rights to distributions (and accompanying accounting and tax allocations), but excluding the right to vote, approve or disapprove, or otherwise to participate in, the management and control of the affairs of the Company.

(d) *Consent of Members*. Each Member hereby consents to the substitution of any assignee of a Member's interest or the admission of any additional person as a Member as approved by Management.

(e) *Costs*. In the discretion of Management, the costs incurred by the Company in processing an assignment (including reasonable attorney's fees) shall be borne by the assignee and shall be payable prior to and as a condition of admission to the Company.

9.5 Bring-Along Rights. In the event that Management proposes to enter into one or more agreements to sell to any person or persons (referred to herein collectively as the "purchaser") all or substantially all of the membership interests in the Company in a single transaction or related series of transactions in lieu of a sale of all or a substantial part of the assets of the Company, all of the Members hereby agree to sell their respective interests in the Company to the purchaser on the terms set forth in such agreements. The agreements shall provide for the payment to the Members for their interests in the Company amounts equal to the amounts that they would have received had the Company (a) sold all of its assets at the price implicit in the price to be paid by the purchaser for the membership interests in the Company, (b) satisfied all of its obligations and (c) made liquidating distributions to the Members in accordance with Article 16. The costs associated with the sale shall, in general, be borne by the Members in the same proportion as they shared the considerations received in accordance with the preceding sentence. Management may reallocate among the Members so much of the considerations that a Member would be entitled to receive as equals the amounts that such Member then owes to the Company or to another Member. Management is hereby granted by each Member a power of attorney, coupled with an interest, to execute in the name of the Member any and all agreements, contracts, documents and other instruments (including instruments of assignment) that Management deems necessary or useful in order to consummate these transactions. These instruments shall be deemed to have been executed on behalf of the Members as if signed by the Members themselves.

Article 10
Miscellaneous Provisions

10.1 Loans from Members. If Management determines that it would be in the interests of the Company to borrow funds from a Member or an affiliate of a Member, then prior to accepting any such funds Management may, in its discretion:

(a) *Notice to Members*. Management may send to each Member a notice (the "Loan Notice"), which should advise each Member of the total amount of funds which the Company seeks to borrow (the "Loan Amount"), the terms of the proposed borrowing (including the rate of interest and the collateral security, if any) and the date on which such funds are required (the "Loan Date"). The Loan Date shall be not less than five days after the Loan Notice. Said borrowing may be secured or unsecured, as determined by Management in its sole discretion, and may be evidenced by one or more promissory notes as are customary.

(b) *Election to Participate*. Within five days of the date of the Loan Notice, Members may elect to participate in the borrowing by delivering to Management written notice of the same, together with its portion of the Loan Amount. The portion of the Loan Amount which each Member may elect to lend to the Company shall be determined pro rata according to the Members' Profit Percentages. Any portion of the Loan Amount not loaned by the Members in accordance with this Section may be loaned by any Member or affiliate of a Member as Management may determine.

(c) *Priority*. Management shall have the discretion to repay all loans from Members or affiliates of Members before distributions are made to the Members under Sections 5.2 or 5.3.

(d) *Excuse*. The provisions of this Section shall not apply to short-term loans or loans made in exigent circumstances bearing a rate of interest equal to or less than the Base Rate.

(e) *Failure to Comply*. A loan made to the Company by a Member or an affiliate of a Member other than in compliance with this Section but with the approval of Management shall nonetheless be a valid indebtedness of the Company, provided that any such loan shall not bear interest in excess of 200 basis points over the Base Rate from time to time in effect.

10.2 Right of Reimbursement. In the event any Member guarantees any indebtedness or other obligation of the Company, then the Company shall promptly reimburse the guarantor for any and all payments made by the guarantor for such indebtedness or other obligation. The Company shall not be obligated to reimburse the guarantor for any obligation under the guaranty that arises by reason of the gross negligence, fraud or willful misconduct of the guarantor or its affiliate. This Section shall also apply to any guaranty of any indebtedness or other obligation of the Company given by, and this Section shall then so benefit, any affiliate of a Member, any member of Management (whether or not a Member) and any affiliate of a member of Management.

10.3 Intentionally Omitted.

10.4 Conversion. Notwithstanding anything to the contrary in this Agreement, Management, along with the consent of a majority of members of each class (per Cal. Corp. Code Section 17710.12 or Section 17710.03 as appropriate), shall have the right and power in its sole discretion to cause the Company to contribute its assets to, merge with, consolidate with or convert into any other entity formed under the laws of the State or the laws of any other state in accordance with the Act, whereupon the assets and liabilities of the Company shall become the assets and liabilities of such other entity, the Members (including Management) or, in the case of a contribution, the Company, shall become the owner(s) of such other entity (without modification of their economic interests *inter se*), and Management shall become the controlling person of such other entity. By way of illustration and not by way of limitation, the Company may be converted into a limited partnership in which Members are limited partners and Management is the general partner, or into a real estate investment trust in which Members are non-voting shareholders and Management is the sole voting shareholder. Should the Company merge with, consolidate with or convert into another entity in accordance with this Section, Members shall be bound by the terms of the organizational documents of such entity as presented by Management. Such organizational documents (viewed as if they were amendments to this Agreement) shall comport with Section 14.1. The execution of such organizational documents (viewed as if they were amendments to this Agreement) shall be subject to Section 14.2.

10.5 Redemption of Interests.

(a) *Membership Interests Subject to Redemption*. The interest of any Member in the Company shall be subject to redemption (*i.e.*, purchased by the Company) as provided in this Section.

(b) *Election to Redeem Made by Management*. The decision to redeem a Member's interest in the Company in accordance with this Section shall be made by Management in its sole discretion and for any reason, including, without limitation, in the following circumstances applicable to a Member (referred to herein as "Cause"):

(i) Fraud, dishonesty or willful and serious misconduct by the Member with respect to the business or affairs of the Company.

(ii) The Member has sought to interfere with the orderly conduct of the business of the Company or any of its subsidiaries or other affiliates, or in Management's sole judgment has involved or is expected to involve more Management resources or

threats to the Company's profitability than justifies retention of the Member's investment.

(iii) Fraud, dishonesty or willful and serious misconduct by the Member, whether or not with respect to the business or affairs of the Company, which affects the business, affairs or reputation of the Company.

(iv) The Member's conviction of a felony crime, or a non-felony crime involving an act of moral turpitude.

(v) The Member has obtained its interest in the Company without the express written consent of Management, whether voluntarily or involuntarily, by operation of law or otherwise.

(vi) A transfer by the Member of its interest in the Company in violation of this Agreement.

(vii) An attempt by the Member to withdraw from the Company in violation of this Agreement.

(viii) An attempt by the Member to partition the property of the Company in violation of this Agreement.

(ix) A breach by the Member of any of the terms, conditions or obligations of the Member contained in this Agreement.

(x) A breach of any of the terms, conditions or obligations of the Member, or a material misrepresentation of any representation or warranty made by the Member in any subscription agreement that the Member may have entered into with the Company.

For purposes of this paragraph (b), the term "Company" includes the Company and any of its subsidiaries or other affiliates, and the term "Member" includes all shareholders, partners, members and beneficial owners of a Member.

The interests of all transferees, successors or assignees of a Member (including a Permitted Transferee) shall also be subject to redemption under this Section if any transferee, successor or assignee has engaged in any of the acts described in the clauses set forth above or if, in the case of a partial assignment, the assigning Member (while a Member) engaged in any of the acts described in the clauses set forth above.

(c) *Redemption Notice*. If Management decides or is required to redeem a Member in accordance with this Section, Management shall send such Member (the "Redeemed Member") written notice (the "Redemption Notice") of its decision. The Redemption Notice shall specify the date on which the redemption shall close (the "Redemption Closing Date"); the Redemption Closing Date shall be established in accordance with paragraph (f).

(d) *Purchase Price*. The purchase price (the "Purchase Price") of a Redeemed Member's interest shall equal (i) the amount that the Redeemed Member would have received had the Company (A) terminated on the date the Redemption Notice was given, (B) sold all of its assets at their fair market values on the date the Redemption Notice was given, (C) satisfied all of its debts and obligations and (D) made distributions to the Members in accordance with Section 15.2, less (ii) any distributions made to the Redeemed Member after the date the Redemption Notice is given to Redemption Closing Date. The fair

market values of the Company's assets shall be determined by Management, in its sole and complete discretion. In the case of a redemption for Cause, the Purchase Price shall not exceed the Redeemed Member's Unreturned Capital and profit percentage.

(e) *Payment of Purchase Price*.

(i) In the case of a redemption other than for Cause, the Purchase Price shall be paid in full to the Redeemed Member on the Redemption Closing Date in immediately available funds.

(ii) In the case of a redemption for Cause, the Purchase Price shall be paid in the form of an unsecured promissory note (the "Redemption Note") payable to the Redeemed Member and payable over a three-year term. The principal amount of the Redemption Note shall bear interest at the lowest rate necessary to avoid the imputation of additional interest for Federal income tax purposes. Level payments of interest and principal shall be made on the Redemption Note on a quarterly basis to fully amortize the principal balance over the term of the Redemption Note. The first payment under the Redemption Note shall be due 90 days after the Redemption Closing Date. The Redemption Note shall be prepayable at any time and from time to time. The outstanding balance of the Redemption Note shall be prepaid upon the dissolution of the Company in accordance with Section 15.2(b).

(f) *Redemption Closing Date and Closing Deliveries*. The Redemption Closing Date shall be on a date and at the time specified by Management in the Redemption Notice but not later than the 30th day following the date the Redemption Notice is given. Closing shall occur at the Company's principal office or at such other place specified by Management in the Redemption Notice. At the closing the Company shall tender the Purchase Price (*i.e.*, the Redemption Note in the case of a redemption for Cause) to the Redeemed Member and the Redeemed Member shall accept the same and execute such documents of transfer as Management may request. If the Redeemed Member shall not accept the tender of the Purchase Price or execute said documents, Management shall be entitled to execute the documents of transfer for and on behalf of the Redeemed Member, with the same effect as if the Redeemed Member had done so itself, and the contemplated transfer shall be deemed closed once Management has deposited the Purchase Price (i) as an interpleader in any court of competent jurisdiction (the Redeemed Member hereby irrevocably consents to such interpleader) or (ii) with any bank, trust company, escrow company or law firm under instructions that the same (and any payments made under the Redemption Note after such deposit) may be withdrawn by the Redeemed Member upon demand. The closing of a redemption as contemplated in this paragraph shall not prejudice a Redeemed Member's right to contest the calculation of the Purchase Price but a Redeemed Member shall not be permitted to contest the effectiveness of the closing as contemplated by this paragraph.

(g) *Allocation of Redeemed Member's Interests*. The Profit Percentage of a Redeemed Member shall be reallocated among the Members in accordance with their relative Profit Percentages. If a member of Management possesses a Profit Percentage, the reallocation shall also include such member of Management.

Article 11
Special Covenants

Any Member and Management may engage in business ventures of any nature and description independently or with others, including, but not limited to, business of the character described in Article 2

(or any part thereof), and neither the Company nor any of the Members shall have any rights in or to such independent ventures or the income or profits derived therefrom.

Article 12
Securities and Other Matters

The interests evidenced by this Agreement have not been registered with the Securities and Exchange Commission or any state but have been issued pursuant to exemptions under the Federal Securities Act of 1933, as amended, and applicable state securities laws.

Article 13
Intentionally Omitted

Article 14
Amendments to the Agreement

14.1 Amendments. The terms of this Agreement may be modified or amended at any time and from time to time with the prior written consent of Management and/or Class B Members holding a majority of the Profit Percentages, but in no event shall any modification or amendment to this Agreement (a) disproportionately decrease the right of any Member to distributions in relation to Members similarly situated; (b) cause any Member to incur any personal additional liability with respect to the Company; (c) eliminate any express right any Member may have in this Agreement to vote on, approve or veto any matter or decision relating to the Company; or (d) amend this Article – unless in each case the Members adversely affected thereby consent in writing to such modification or amendment. Nothing in this Section 15.1 shall be construed to limit the authority of Management under Section 10.3.

14.2 Power of Attorney. Each Member hereby appoints Management as its true and lawful attorney, coupled with an interest in its name, place and stead to sign, execute, acknowledge, swear to and file any and all documents which in the discretion of such attorney are required to be signed, executed, acknowledged, sworn to or filed by the Member to discharge the purposes of the Company as hereinabove stated or the provisions of this Agreement. Without limitation, among the documents which Management may execute on behalf of each Member shall be the following:

(a) Any amendments to this Agreement when this Agreement is amended in accordance with Section 14.1.

(b) The Charter and any other instrument which may be required of the Company pursuant to the Act or the laws of any other jurisdiction and any amendments thereto that are not prohibited by Section 14.1.

The grant of authority set forth in this Section is a special power of attorney coupled with an interest, is irrevocable and shall survive the death, incapacity, insolvency, bankruptcy, liquidation or dissolution of a Member; may be exercised by Management for a Member by a facsimile signature or by listing the names of all of the Members executing any instrument with the signature of Management, as attorney in fact for all of them; and shall survive the delivery of an assignment by a Member of all or any portion of its interest, except that where the assignee has been approved by Management for admission to the Company as a substituted Member, the power of attorney shall survive the delivery of such assignment for the sole purpose of enabling Management to execute, acknowledge and file any instrument necessary to effect such substitution, and the grant of authority set forth in this Section shall be deemed to have been made by such substitute Member.

Article 15
Winding-Up and Dissolution of the Company

15.1 Winding-Up and Dissolution Procedures. Upon an event described in Section 3.2, the affairs of the Company shall be wound-up and the Company shall be dissolved. Management shall preside over the winding-up and dissolution of the Company or may appoint one or more agents to do so. Management shall make such filings in the State and in such other states in which the activities of the Company make it necessary or desirable to do so and do or cause to be done such other acts and things as shall be required to dissolve the Company.

15.2 Distributions Upon Winding-Up. Except as otherwise provided in this Article, the winding-up and dissolution of the Company shall involve:

(a) The orderly sale or other disposition of the Company's non-cash assets within a commercially reasonable time.

(b) The payment or settlement of (and where appropriate, the establishment of reasonable reserves for) the Company's debts and other obligations, including to Members who are creditors, in the order of priority and to the extent provided by law.

(c) The distribution of any remaining sums among the Members in accordance with Section 6.3.

15.3 Distributions in Kind. In the event that Management determines that it is necessary or desirable to make a distribution of Company assets in kind, such assets shall be transferred and conveyed either to (a) the Members as tenants in common so as to vest in them undivided interests in the whole of such assets in proportion to their respective rights to share in the proceeds of the sale of such assets in accordance with the provisions of Section 15.2(c); or (b) any one or more of the Members either as tenants in common (so as to vest in them undivided interests in the whole of such assets, in the proportions determined by Management) or otherwise, on the condition that each such distributee receives aggregate value (whether in kind, cash or both) in accordance with the provisions of Section 15.2(c). All such Company assets shall be valued at fair market value as determined by Management and shall be subject to such reasonable conditions and restrictions as are necessary or desirable in order to preserve the value of the assets distributed or for legal reasons. Management may make distributions of Company assets in kind other than in connection with the winding-up of the Company, in which case such in kind distributions will be considered Capital Event Proceeds and distributed in accordance with Section 5.3.

15.4 Liquidating Trust. In the discretion of Management, all or any portion of the distributions that would otherwise be made to the Members pursuant to Section 15.2(c) may be distributed to a trust established for the benefit of the Members for the purposes of liquidating Company assets, collecting amounts owed to the Company and paying any debts or other obligations of the Company arising out of or in connection with the Company. Management shall appoint one or more persons as liquidating trustee. The assets of any such trust shall be distributed to the Members from time to time in the discretion of the Liquidating Trustee in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement.

15.5 Final Accounting. As part of the winding-up of the Company, a final accounting shall be made of the activities of the Company from the date of the last previous accounting to the date of dissolution. If a Member has a deficit in its Capital Account, such Member shall not be obligated to contribute any amount of that deficit to the Company; any such deficit shall not be considered an asset of the Company.

<u>Article 16</u>
<u>General Provisions</u>

16.1 <u>Notices</u>. All notices, demands, offers or other communications required or permitted to be given pursuant to this Agreement shall be in writing and shall be transmitted by courier, recognized overnight delivery service (such as FedEx) or first class (postage prepaid) certified U.S. mail or via electronic mail. Any notice, demand, offer or other communication shall be effective on the date of receipt at the address of the addressee. Notices, demands, offers or other communications to a Member shall be addressed to the Member at the address beneath the Member's name on the signature page of this Agreement or, if applicable, in such Member's subscription agreement. Notices, demands, offers or other communications to the Company shall be addressed to the Company in care of Management. Notices, demands, offers or other communications to Management shall be addressed to each member of Management at the address beneath each such person's name on the signature page of this Agreement. Any Member or member of Management may change its address for all future notices, demands, offers or other communications by giving notice to all of the other Members and members of Management stating its new address.

16.2 <u>Successors</u>. This Agreement and all the terms and provisions hereof shall be binding upon the parties hereto and their respective legal representatives, heirs, successors and permitted assigns, except as expressly herein otherwise provided.

16.3 <u>Third Party Benefits</u>. Without limiting Section 16.2, the provisions of this Agreement are intended solely to benefit the Company and the parties hereto and, to the fullest extent permitted by applicable law, shall not be construed as conferring any benefit upon any other person, including without limitation any creditor of the Company (and no such creditor or other person shall be a third party beneficiary of this Agreement), and except as required by the Act, the Members shall have no duty or obligation to any such creditor or other person to make any contributions or return any money or other property to the Company.

16.4 <u>Governing Law</u>. This Agreement shall be construed in conformity with the domestic laws of the State of California without regard to its conflict of laws principle, as applied to agreements whose only parties are residents of the State and which are to be performed entirely within the State. Venue shall be in the Superior Court of the County of Orange, State of California.

16.5 <u>Severability</u>. If any provision of this Agreement, or the application of such provision to any person or circumstance, shall be held invalid by a court of competent jurisdiction, the remainder of this Agreement, or the application of such provision to persons or circumstances other than those to which it is held invalid by such court, shall not be affected thereby.

16.6 <u>Other Rules of Construction</u>. Every provision of this Agreement shall be construed simply according to its fair meaning and not strictly for or against any Member (notwithstanding any rule of law requiring an Agreement to be strictly construed against the drafting party). The following additional rules of construction shall apply to this Agreement:

(a) All pronouns shall include the masculine, feminine or neuter thereof, wherever the context and facts require such construction.

(b) The term "person" refers to an individual, corporation, partnership, joint venture, limited liability company, limited liability partnership, association, joint stock company, statutory trust, common-law trust, unincorporated organization, government authority or any other organization whether or not a legal entity.

(c) The term “party” means a signatory to this Agreement, including a Member, member of Management and any successor to any of the foregoing, whether or not such successor has executed or otherwise joined in this Agreement. The fact that a successor is a party shall not give that person any greater rights than it has under the express terms of this Agreement. By way of illustration, a successor who has not been admitted to the Company in accordance with Article 10 is a party to this Agreement for purposes of the dispute resolution procedures in Section 17.8, but despite being a party is still subject to the limitations of Section 10.4(c).

(d) The term “affiliate” is to have a meaning reasonably appropriate to its context; without limiting the generality of the foregoing, when used in connection with conduct that by the terms of this Agreement is to be circumscribed, the term shall be interpreted broadly. Without limiting the generality of the foregoing, an “affiliate” of a specified person, or a person “affiliated” with a specified person, is a person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the specified person.

(e) All terms defined in this Agreement in the singular have the same meanings when used in the plural and vice versa.

(f) The use of the word “including” herein shall not be considered to limit the provisions which it modifies but instead shall mean “including without limitation” unless the provision states otherwise.

(g) An “Article” of this Agreement is typically identified with a number (*e.g.*, “Article 17”). A “Section” of this Agreement corresponds to an Article and is typically identified with a number that includes a decimal (*e.g.*, “Section 17.6”). A “paragraph” of this Agreement corresponds to a Section and is typically identified by a lower-case letter (*e.g.*, paragraph “(g)”). A “clause” of this Agreement corresponds to a paragraph and is typically identified with a roman numeral or an upper-case letter (*e.g.*, “(i),” “(I)” or “(A)”).

(h) Headings, titles and subtitles are inserted for convenience of reference only and are to be ignored in any construction of the provisions hereof.

(i) Except where express reference is made to “business days,” references in this Agreement to a number of days within which an action must be taken (including the giving of notice or the delivery of documents) shall mean calendar days. Notwithstanding the preceding sentence, whenever the final day on which an action must be taken (including the giving of notice or the delivery of documents) occurs on a non-business day (*i.e.*, Saturday, Sunday or a holiday recognized by the U.S. Federal government, the State or the state in which the Company’s principal office is located), then such period or date shall be extended until the immediately following business day.

(j) In the interpretation of this Agreement, no inference shall be drawn from the fact that a provision not included in this Agreement was included and then deleted from a draft of this Agreement.

16.7 Members Not Agents. Nothing contained herein shall be construed to constitute any Member the agent of another Member, except as specifically provided herein.

16.8 Dispute Resolution. The Company and the parties to this Agreement hereby irrevocably and unconditionally agree that any suit, action or proceeding arising out of or related to this Agreement or the Company shall be brought only in the Superior Court of the State of California, County of Orange. To the fullest extent permissible by law, the Company and the parties to this Agreement hereby consent to the personal jurisdiction, venue and forum of such court and hereby irrevocably and unconditionally waive any claim or objection that it is not subject to the jurisdiction of such courts, that the venue is improper, that the

forum is inconvenient or any similar objection, claim or argument. Service of process on any of the parties hereto with regard to any such action may be made and is considered legally proper by mailing the process to such person by certified mail to the address of such person as provided in Section 16.1 or to any subsequent address to which notices shall be sent.

16.9 Waiver of Trial by Jury. To the extent allowed by law, each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues, and therefore each such party hereby irrevocably and unconditionally waives any right such party may have to a trial by jury with respect to any litigation directly or indirectly arising out of or relating to this Agreement. Each party understands and has considered the implications of this waiver. Each party makes this waiver voluntarily.

16.10 Attorney's Fees. If the Company, any Member or any member of Management obtains a judgment in connection with a dispute arising under or in connection with any this Agreement, such party shall be entitled to recover from the non-prevailing party its court costs, and reasonable attorney's fees and disbursements incurred in connection therewith and in any appeal or enforcement proceeding thereafter, in addition to all other recoverable costs.

16.11 Remedies. Subject to any express provisions of this Agreement, no remedy conferred upon the Company, any Member or any member of Management is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute.

16.12 Waiver. No waiver by the Company, any Member or any member of Management of any breach of this Agreement shall be deemed to be a waiver of any other breach of any kind or nature, and no acceptance of payment or performance by the Company, any Member or any member of Management after any such breach shall be deemed to be a waiver of any breach of this Agreement, whether or not the Company, any Member or any member of Management knows of such breach at the time it accepts such payment or performance. No failure or delay on the part of the Company, any Member or any member of Management to exercise any right it may have shall prevent the exercise thereof by the Company, any Member or any member of Management at any time such other may continue to be so in default, and no such failure or delay shall operate as a waiver of any default.

16.13 Entire Understanding. This Agreement constitutes the entire understanding among the Members and supersedes any prior understanding and/or written or oral agreements among them with respect to the Company. In the event of any conflict between this Agreement and any other written or oral communications between the Company, Management or any employee or agent of either, and the Members (including any private placement memorandum for the issuance of interests in the Company), this Agreement shall control and take precedence. Notwithstanding anything to the contrary contained in this Agreement, the parties hereto acknowledge that, as of the date hereof, Management, on its own behalf and/or on behalf of the Company, may agree in letters or other writings with one or more Members (each, an "other agreement"), and may from time to time hereafter agree in other agreements entered into with one or more Members to be admitted to the Company following the date hereof, in its sole discretion, to exceptions or departures from the provisions of this Agreement or to additional terms and/or conditions not set forth in this Agreement. Each other agreement, as in effect from time to time, shall be incorporated herein by reference with respect to the Member or Members who are parties thereto. The parties hereto agree that any such exceptions or departures contained in another agreement with a Member shall govern with respect to the Member who is a party to such other agreement notwithstanding the provisions of this Agreement. As used in this Section, the term "this Agreement" shall include any subscription agreement that a Member may have entered into with the Company in connection with this Agreement.

16.14 Further Assurances. Each of the parties hereto shall hereafter execute and deliver such further instruments and do such further acts and things as may be required or useful to carry out the intent and purpose of this Agreement and as are not inconsistent with the terms hereof. Recognizing that the Company, the Members and the members of Management may find it necessary from time to time to establish to third parties the then-current status of performance hereunder, each party hereto shall, upon the written request of another party hereto, reasonably from time to time, furnish promptly a written statement of the status of any matter pertaining to this Agreement or the Company to the best of the knowledge and belief of the party making such statements.

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

16.16 Electronic Transmission. Signatures to this Agreement that are transmitted electronically (*i.e.*, via e-mail or facsimile) shall be binding.

16.17 Counsel. Management ("Directing Party") has selected Methven & Associates to prepare this Agreement and the Investment Package for Associates Equity Fund VI, LLC. Methven & Associates is counsel to Directing Party and/or one or more of its affiliates. Each party to this Agreement acknowledges that Methven & Associates (a) does not represent the interests of any party other than Directing Party and (b) that Methven & Associates shall owe no duties to the Company or other party other than Directing Party. In the event any dispute or controversy arises between the Company or a party, on the one hand, and Directing Party and/or any of its affiliates, on the other hand, each party agrees that Methven & Associates may represent Directing Party and/or any of its affiliates in any such dispute or controversy. To the extent that Directing Party requests that Methven & Associates do so, Methven & Associates may represent the Company and/or Management in any dispute with any party other than Directing Party. The Company and each party consents to such representation. Each party further acknowledges that, whether or not Methven & Associates has in the past represented or is currently representing such party with respect to other matters, Methven & Associates has not represented the interest of any party other than Directing Party in the preparation or negotiation of this Agreement.

[Signatures begin on the next page.]

[Signature Page to Associates Equity Fund VII, LLC Operating Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives.

MANAGER:

JSSO Management LLC

By: ______________________________
Scott Ostlund, Manager

3535 Inland Empire Blvd., Ontario, CA 91764
sostlund@associatesequityfund.com

INVESTOR

____
(sign name)

____
(print name)

____
(date)

Exhibit A
Sponsor(s)

The Sponsor(s) are the following:

- Jeff Smith – 22.5%
- Scott Ostlund – 40%
- Michael Arnold – 22.5%
- Advisory Committee – 5%
  Craig Coppola
  Thomas Homco
  Jeff Huberman
  Jeffrey Janda
  Brian Knowles
  Todd Launchbaugh
  Laura Launchbaugh
  Rocky Moran
  Jeff Rinkov
  Mike Smith
  Mike Tingus
  Barret Woods
  Mike Spears
- Referring Lee & Associates Agents Pool – 5 %

If the fund does not include any eligible Lee & Associates agents (sponsors and/or agents who brought a deal which the Company purchased), then the 5% referring Lee & Associates Agent pool percentage shall be divided equally by and between, Jeff Smith, Scott Ostlund and Mike Arnold. Sponsor and/or Manager, if eligible, may participate in the Agents Pool.