
LIMITED LIABILITY COMPANY AGREEMENT

OF

[INSERT NAME] L3C

A [Insert State] Low-Profit Limited Liability Company

Dated as of _____, 2007

LIMITED LIABILITY COMPANY AGREEMENT
OF
[INSERT NAME] L3C

This **LIMITED LIABILITY COMPANY AGREEMENT** (this “Agreement”), made as of _____, 2007, for **[INSERT NAME] L3C** (the “Company”), by and among each person named in Schedule A of this Agreement constitutes the limited liability company agreement for the Company, which is a low-profit limited liability company formed under the [insert state] Limited Liability Company Act (the “Act”).

In this Agreement, the Class A Members, Class B Members, and Class C Members are together referred to as the “Members” and each may be referred to as a “Member.”

TERMS

SECTION 1 Offices and Purposes.

1.1 Principal Office.

- (A) The principal office of the Company is located at [insert address].
- (B) The principal office of the Company may be changed by the Manager.
- (C) The Company may have such other offices, either within or without the State of [insert state], as the Manager designates or as the business of the Company requires.

1.2 Registered Office and Agent.

- (A) The registered office of the Company, as required by the Act to be maintained in the State of [insert state], is located at [insert address], and the original registered agent at such address is [insert name of registered agent].
- (B) The registered office and registered agent may be changed from time to time by the Manager and by the filing of the prescribed forms with and the payment of any prescribed fees to the [insert state] Secretary of State.

1.3 Purposes. The Company has been formed to carry on any lawful activity, permitted by the Act, as determined by the Manager.

SECTION 2 Members and Financial Matters.

2.1 Members, Percentage Interests, and Membership Units.

(A) Membership Classes.

- (i) The Class A Members shall be excluded from participation in distributions but shall be entitled to have their entire Percentage Interests in the Company redeemed and purchased by the Company.
- (ii) The Class B Members shall be eligible to participate in distributions; provided, however, that the aggregate distributions to a Class B Member in any given year shall not exceed 1% of the value of such Class B Member's Percentage Interests in the Company.
- (iii) The Class C Members shall be eligible to participate in distributions without limitation as to the amount thereof.
- (iv) Each Member has voting rights proportional to that Member's Percentage Interests in all decisions to be made by the Members.

(B) Membership Interests.

- (i) The Members' membership interests in the Company and particularly their rights to allocations and distributions as described in this Section 2 are governed by their respective membership class and Percentage Interests.
- (ii) Those Percentage Interests may also be represented by Membership Units, the respective number of which belonging to each Member must be set out on Schedule A of this Agreement.

2.2 Limitation of Liability of Members and Others.

- (A) Except as otherwise required by applicable law, the debts, obligations, and liabilities of the Company, whether arising in contract, tort, or otherwise, are solely the debts, obligations, and liabilities of the Company, and no Member, Manager, trustee, officer, or employee of the Company is obligated personally for any such debt, obligation, or liability of the Company solely by reason of being a Member, trustee, officer, or employee of the Company.
- (B) No Member, Manager, trustee, officer, or employee of the Company, to the maximum extent now or hereafter permitted by applicable law, has any personal liability to the Company or any Member for monetary damages for breach of fiduciary duty as an officer or in any other managerial position.

2.3 Capital Contributions.

- (A) The Members have made the capital contributions to the Company set forth on Schedule A of this Agreement.
 - (B) No Member is obligated to make any additional capital contributions to the Company.
- 2.4 Loans by Members. Any Member may, but no Member is obligated to, make loans to the Company on such terms and conditions as are acceptable to such Member and the Manager.
- 2.5 Allocation of Income and Loss. All items of income, gain, loss, deduction, and credit must be allocated among the Members in accordance with their Percentage Interests as set forth on Schedule A of this Agreement (which must be updated by the Manager to reflect any changes to its contents) and their membership class and the rights associated therewith.
- 2.6 Taxation.
- (A) It is the intention of the Members that the Company be classified for purposes of federal and any state income tax law as:
 - (i) a partnership; or
 - (ii) for any period in which there is the only one Member of the Company, a disregarded entity.
 - (B) The Company may make any election it deems prudent to establish and maintain its tax classification in accordance with Section 2.6(A).
- 2.7 Capital Accounts.
- (A) A capital account (“Capital Account”) for each Member must be determined and maintained on the books and records of the Company in accordance with Section 704(b) of the Internal Revenue Code of 1986, as amended (the “Code”), and Treasury Regulations § 1.704-1(b).
 - (B) All provisions of this Agreement relating to Capital Accounts must be interpreted and applied so as to comply with the requirements of the Code and Treasury Regulations.
- 2.8 Distributions.
- (A) General. The Company may make distributions to the Members from time to time in such amounts as the Manager determines, subject to the provisions of section 2.1(A) above.
 - (B) Withholding Taxes.
 - (i) The Company shall withhold from distributions (or allocations of Company income, gain, loss, deduction, and credit) to any Member

and pay over to any federal, state, local, or foreign government any amounts required to be so withheld by law and must allocate any such amount to the Member with respect to which such amounts were withheld.

- (ii) For all purposes of this Agreement, all amounts so withheld must be treated as amounts actually distributed to the Member with respect to which such amounts were withheld, and such amounts must be treated as actually distributed at the time paid to the relevant government agency.

2.9 Accounting and Books of Account.

- (A) The accounts, books, and records of the Company must be maintained at the principal office of the Company.
- (B) The Company's books must be closed and balanced at the end of each calendar year.

2.10 Banking. All funds of the Company must be deposited in its name in one or more separate accounts with such banks, savings and loan associations, or trust companies as the Manager designates.

SECTION 3 Management.

3.1 Appointment of Manager.

- (A) The Members, by majority vote of all Members, shall appoint the Manager who shall consent to such appointment by executing a counterpart signature page to this Agreement.
- (B) The Members hereby appoint [insert name] as the initial Manager of the Company and authorize the Company to enter into a separate employment agreement with him/her.

3.2 Manager. The Manager:

- (A) has the sole authority in the management of the Company, except as otherwise set out in Section 3.3;
- (B) shall actively oversee the operations of the Company; and
- (C) may delegate to any officer of the Company any of the Manager's authority to make any decision on the Company's behalf.

3.3 Restricted Actions. The Manager may not, without the consent of the Members:

- (A) sell, assign, convey, or otherwise dispose of any portion of the Company's assets outside of the ordinary course of business;

- (B) do any act in contravention of this Agreement;
 - (C) amend, change, or revoke this Agreement;
 - (D) confess a judgment against or affecting the Company;
 - (E) merge or consolidate the Company with or into another business entity;
 - (F) dissolve or liquidate the Company;
 - (G) change or reorganize the Company into any other legal form; or
 - (H) knowingly perform any act that would subject any Member to liability as a general partner in any jurisdiction.
- 3.4 Term. The Manager holds office for an indefinite term or until his or her earlier death, resignation, or removal.
- 3.5 Resignation. The Manager may resign at any time by giving written notice of his or her resignation to the Class A Members, such resignation to be effective upon receipt unless a later date is specified in the notice and to be without prejudice to the contract rights, if any, of any party.
- 3.6 Removal. The Manager may be removed, with or without cause, by a majority of the Members, such removal to be without prejudice to the contract rights, if any, of any party.
- 3.7 Officers. The Company may have such officers, under such titles, as the Manager determines, and such officers have the authority and duties granted to them by the Manager.

SECTION 4 New Members.

- 4.1 Additional Members. The Manager may admit additional Members of any class to the Company and shall fix such additional Members' class, Percentage Interests, and Membership Units.
- 4.2 Transfers. A Member may transfer all or any part of its membership interests in the Company to an assignee only with the prior written consent of the other Members and in accordance with Section 5.
- 4.3 Execution of Agreement Required. The admission of an additional Member or transferee Member under this Section 4 becomes effective when such additional or transferee Member consents in writing to be bound by all of the terms and conditions of, and executes a counterpart signature page to, this Agreement.

SECTION 5 Right of First Refusal.

5.1 Restrictions on Transfers.

- (A) No Transfers of any membership interests may be made by any parties except in conformance with the terms of both Section 4 and this Section 5.
- (B) “Transfer” shall mean to transfer, sell, assign, pledge, hypothecate, bequeath, give, create a security interest in or lien on, place in trust (voting or otherwise), assign, or in any other way encumber or dispose of, directly or indirectly, and whether or not by operation of law or for value, any membership interests in the Company.

5.2 Disposition Notice. In the event a Member (the “Selling Member”) desires to Transfer any or all of the membership interests held by such Selling Member (the “Transferring Interests”) to any person (the “Offeree”), the Selling Member shall promptly deliver to each of the other Members (the “Non-Selling Members”) written notice of the intended disposition (the “Disposition Notice”), which must set forth the material terms and conditions thereof, including the purchase price for the Transferring Interests and the identities of the Offeree and any beneficial owners who are not the named Offeree.

5.3 Exercise of Right by Non-Selling Members.

- (A) The Non-Selling Members may, for a period of 30 days following receipt of a Disposition Notice (the “Exercise Period”), purchase the Transferring Interests upon the same terms and conditions specified in the Disposition Notice, except that the purchase price must be an amount equal to the lesser of:
 - (i) the fair market value of the Transferring Interests as determined by an independent appraiser chosen by the Class A Members and the Selling Member; or
 - (ii) the purchase price specified in the Disposition Notice.
- (B) Such right is exercisable by written notice (the “Exercise Notice”) delivered by the Non-Selling Members to the Selling Member and the Offeree prior to the expiration of the Exercise Period.
- (C) To the extent that the Transferring Interests need to be allocated among the Non-Selling Members, they must be allocated based on the ratio of each participating Non-Selling Member’s holdings of membership interests in the Company to the total of all participating Non-Selling Members’ membership interests in the Company.

5.4 Types of Exercise by the Non-Selling Members. If such right is exercised by the Non-Selling Members with respect to:

- (A) all of the Transferring Interests specified in the Disposition Notice, then the Non-Selling Members shall effect the purchase of such Transferring Interests, including payment of the purchase price therefor, not more than five business days after the delivery of the Exercise Notice and, at such time, the Selling Member shall deliver to the Non-Selling Members a duly endorsed assignment of the Transferring Interests to be purchased; or
- (B) only a portion of the Transferring Interests specified in the Disposition Notice, then:
 - (i) the Non-Selling Members shall notify the Offeree of their intention to purchase only a portion of the Transferring Interests within the Exercise Period; and
 - (ii) this right to purchase is contingent upon the Offeree's election to purchase the remaining balance of the Transferring Interests; and
 - (iii) the Non-Selling Members' purchase of such Transferring Interests must be consummated, if at all, at the time of the Offeree's purchase; but
 - (iv) in the event the Offeree elects not to purchase the remaining Transferring Interests, the Non-Selling Members are deemed to have waived their rights of first refusal.

5.5 Non-Exercise of Right by Non-Selling Members.

- (A) In the event the Exercise Notice is not given by the Non-Selling Members to the Selling Member and the Offeree within the Exercise Period or the Offeree elects not to purchase the remaining Transferring Interests in accordance with Section 5.4(B)(iv), the Non-Selling Members are deemed to have waived their rights of first refusal and the Selling Member has a period of 30 days thereafter in which to sell all, but not less than all, of the Transferring Interests to the Offeree identified in, and upon terms and conditions (including the purchase price) no more favorable to the Offeree than those specified in, the Disposition Notice.
- (B) In the event the Selling Member does not consummate the sale or disposition of the Transferring Interests within such 30-day period, the Non-Selling Members' rights of first refusal are applicable to any subsequent disposition of the Transferring Interests by the Selling Member until such rights lapse in accordance with Section 5.8.

5.6 Rights and Obligations of Transferee.

- (A) Upon any Transfer of membership interests in accordance with this Section 5, such membership interests remain subject to the restrictions of this Agreement.

- (B) Each purchaser of Transferring Interests succeeds to the rights of the Selling Member with regard to such Transferring Interests, except that:
- (i) if the Non-Selling Members exercise their rights of first refusal and purchase any Transferring Interests, then any such Transferring Interests are automatically converted to the class of membership interests of the Non-Selling Member purchasing the Transferring Interests; or
 - (ii) if the purchaser is a third party to this Agreement, such purchaser is subject to the terms of Section 4 concerning admission to the Company as a Member and execution and delivery to the Manager a counterpart of this Agreement and must take such other actions and execute such other documents as the Company reasonably requests.

5.7 Expenses. The Selling Member shall pay all expenses incurred by the Company in connection with a Transfer in accordance with this Section 5.

5.8 Termination. The rights and obligations of the Members under this Section 5 terminate upon the closing of the Company's Sale, as defined in Section 6.4(A).

SECTION 6 Redemption. If a Class A Member at any time desires that the Company purchase and redeem its Percentage Interests, the Class A Member shall send written notice to the Company. The purchase price for the Percentage Interests shall be equal to such Class A Member's capital contribution. Closing shall be held at the principal office of the Company. At closing, the Class A Member shall deliver to the Company any transfer documents as counsel for the Company reasonably may require. Upon agreement of the Manager and the Class A Member, payment of the purchase price may be made by promissory note executed by the Company.

SECTION 7 Dissolution.

7.1 Term of the Company. The term of the Company is perpetual.

7.2 Causes of Dissolution. Notwithstanding the provisions of Section 7.1, the Company terminates and must be dissolved upon the earlier occurrence of any of the following events:

- (A) the entry of a decree of dissolution by a court of competent jurisdiction;
- (B) the business of the Company is determined to be illegal by a court of competent jurisdiction;
- (C) rescission of this Agreement; or
- (D) a majority of all Members elect to dissolve the Company.

7.3 Liquidation Manager. The Members shall appoint the Liquidation Manager upon the

termination and dissolution of the Company.

7.4 Procedure Upon Dissolution.

- (A) Upon the dissolution of the Company, the Liquidation Manager appointed in accordance with Section 7.3 shall immediately commence to wind up the Company's affairs and shall proceed with reasonable promptness to liquidate the business of the Company.
- (B) If the Company is dissolved while its business is in progress, the winding up of the affairs of the business of the Company may include completion of any work in progress and any contracts in existence on the date of dissolution.
- (C) Except as otherwise required by the Act, upon the dissolution of the Company, the assets of the Company must be liquidated, and the proceeds from such liquidation, together with assets distributed in kind, are applied in the following order:
 - (i) to the payment of debts and liabilities of the Company to creditors in the order of priority set out by law and the expenses of dissolution and liquidation;
 - (ii) to the establishment of any reserves that the Liquidation Manager deems reasonably necessary for any contingent or unforeseen liabilities or obligations of the Company arising out of or in connection with the Company (such reserves must be held in trust by the Liquidation Manager for the purpose of disbursing such reserves in payment of contingencies and, at the expiration of such period as the Liquidation Manager deems advisable, to distribute the balance of the trust corpus in the manner set out in this Section 7.4); and
 - (iii) to the Members in accordance with their Capital Accounts.

7.5 Powers of the Liquidation Manager. The Liquidation Manager has full power and authority to wind up the business and affairs of the Company.

7.6 Indemnification of Liquidation Manager. The Members shall indemnify the Liquidation Manager as set out in Section 8 of this Agreement.

7.7 Contributions for Deficiencies. Each Member shall restore any deficit balance remaining in its Capital Account upon the final liquidation of the Company, but only to the extent necessary to:

- (A) repay any loans made to the Company by a Member or an affiliate of a Member; or
- (B) fund positive balances remaining in the Capital Accounts of the other Members.

SECTION 8 Indemnification.

- 8.1 Indemnifiable Persons. An “Indemnifiable Person” is one who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (a “Proceeding”), by reason of the fact that such person is or was a Manager, trustee, liquidation manager, officer, employee, or agent of the Company.
- 8.2 Conditions for Indemnification. The Company shall indemnify and hold harmless to the fullest extent not prohibited by applicable law against all expense, liability, and loss (including without limitation attorneys’ fees, judgments, fines, excise taxes, or penalties and amounts paid in settlement) reasonably incurred or suffered, an Indemnifiable Person if:
- (A) the basis of the Proceeding is alleged action or inaction:
 - (i) in an official capacity as a Manager, trustee, liquidation manager, trustee, officer, employee, or agent of the Company; or
 - (ii) in any other capacity related to the Company while so serving as a Manager, trustee, liquidation manager, officer, employee, or agent; and
 - (B) such person has not been found by a court of competent jurisdiction to have:
 - (i) acted in a grossly negligent manner;
 - (ii) committed willful malfeasance or fraud;
 - (iii) breached such person’s fiduciary duty to the Company; or
 - (iv) materially breached the terms of this Agreement.
- 8.3 Indemnitees. The persons indemnified under Section 8.2 of this Agreement are hereafter referred to as “Indemnitees.”
- 8.4 Indemnification Rights. The right to indemnification conferred in this Section 8:
- (A) is a contract right;
 - (B) is not exclusive of any other right that any Indemnitee may have or hereafter acquire under any statute, agreement, action of the Members, or otherwise.
 - (C) continues as to an Indemnitee who has after such alleged actions or inaction ceased to be a Manager, trustee, liquidation manager, officer, employee, or agent of the Company;
 - (D) inure to the benefit of the Indemnitee’s heirs, executors, and administrators;
 - (E) may not be affected adversely as to any Indemnitee by any amendment of this

Agreement with respect to any action or inaction occurring prior to such amendment; and

- (F) subject to any requirements imposed by law, includes the right to be paid by the Company the expenses incurred in investigating, defending, or settling any such Proceeding in advance of its final disposition, which expenses must be paid promptly upon request of the Indemnitee, except that an Indemnitee has the right to require such advance payment by the Company only upon receipt by the Company of an undertaking by or on behalf of such Indemnitee to repay such amount to the Company if it is ultimately determined by a court of competent jurisdiction that the Indemnitee is not entitled to be indemnified by the Company.

8.5 Enforcement.

- (A) Suit. An Indemnitee may bring suit against the Company to recover the unpaid amount of the claim if a claim in writing for indemnification under this Section 8 is not paid in full by the Company within:
 - (i) 60 days after it has been received by the Company; or
 - (ii) in the case of a claim for an advancement of expenses, 20 days after it has been received by the Company.
- (B) Expenses. If the Indemnitee is successful in whole or in part in any such suit, or in defense of a suit brought by the Company to recover an advancement of expenses under the terms of an undertaking, the Indemnitee is entitled to be paid also the expenses of successfully prosecuting or defending such suit (or part thereof).
- (C) No Presumption or Defense. Neither a presumption that the Indemnitee has not met the applicable standard of conduct nor, in the case of such a suit brought by the Indemnitee, a defense to such suit is created by:
 - (i) the failure of the Company to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct; or
 - (ii) an actual determination by the Company that the Indemnitee has not met such applicable standard of conduct.

8.6 Insurance. The Company may maintain insurance, at its expense, to protect itself and any director, trustee, liquidation manager, officer, employee, or agent of the Company against any expense, liability, or loss, whether or not the Company would have the power to indemnify such person against such expense, liability, or loss.

8.7 Savings Clause. In the event that any of the provisions of this Section 8 (including any provision within a single section, paragraph, or sentence) is held by a court of

competent jurisdiction to be invalid, void, or otherwise unenforceable, the remaining provisions are several and remain enforceable to the full extent permitted by law.

SECTION 9 Miscellaneous.

- 9.1 Amendment. Any amendment to this Agreement may be effected by a majority of all Members.
- 9.2 Waiver. The waiver by any Member of any provision of this Agreement is effective only if made in writing signed by such Member, but such waiver is not to be deemed a waiver of any other such matter.
- 9.3 Severability. In the event any provision of this Agreement is finally determined to be unlawful or unenforceable, such provision shall be deemed to be severed from this Agreement and every other provision of this Agreement remains in full force and effect.
- 9.4 Governing Law. This Agreement is governed by and construed in accordance with the laws of the State of [insert state], without giving effect to [insert state]'s conflicts-or choice-of-laws provisions.
- 9.5 Captions and Sections.
- (A) The captions in this Agreement are for convenience only and may not be considered a part of or affect the construction of interpretation of any provision of this Agreement.
- (B) References to "Sections" in this Agreement without elaboration are references to the numbered sections of this Agreement.
- 9.6 Third Parties. This Agreement is not intended to and does not create any rights in or confer any benefits upon anyone other than the parties to the Agreement and their permitted successors and assigns.
- 9.7 Successors. This Agreement is binding upon and inures to the benefit of the respective successors and permitted assigns of the Members.
- 9.8 Notices. Except as otherwise set out in this Agreement, all notices, requests, and other communications hereunder must be in writing and are deemed to have been duly given at the time of receipt if delivered by hand or by facsimile transmission or three days after being mailed, registered or certified mail, return receipt requested, with postage prepaid to:
- (A) the address or facsimile number listed below such Member's name on Schedule A hereto; or
- (B) if any Member designated a different address by notice to the other Members given as required by this Section 9.8, then to the last address so designated.

{Signatures begin on next page.}

IN WITNESS WHEREOF, the undersigned have executed this Limited Liability
Company Agreement of [INSERT NAME] L3C as of _____, 2007.

MANAGER :

Name: _____

CLASS A MEMBERS:

Name: _____

Name: _____

CLASS B MEMBERS:

Name: _____

Name: _____

CLASS C MEMBERS:

Name: _____

Name: _____

LIMITED LIABILITY COMPANY AGREEMENT

OF

[INSERT NAME] L3C

SCHEDULE A

MEMBERS' INTERESTS

The Members and their respective addresses, capital contributions, and Percentage Interests are as follows:

<u>Name and Address</u>	<u>Capital Contribution</u>	<u>Percentage Interests</u>	<u>Membership Units</u>
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Class A Members :

Class B Members :

Class C Members :