**OPERATING AGREEMENT FOR [NAME OF LLC],  
a Michigan Limited Liability Company**

This Operating Agreement is made and entered into as of **[date]**, by and among **[name of limited liability company]**, a Michigan limited liability company (the Company) and the Person or Persons initially signing this Operating Agreement as a member and any Person who is subsequently admitted as a member of the Company pursuant to, in accordance with, and who agrees to be bound by the terms of this Operating Agreement. Each such Person is sometimes referred to individually in this Operating Agreement as a Member, and all such Persons are sometimes collectively referred to in this Operating Agreement as the Members.

ARTICLE I  
DEFINITIONS

**1.1**“Act” means the Michigan Limited Liability Company Act, MCL 450.4101 et seq., 1993 PA 23, as amended.

**1.2**“Admitted Member” means any Person who, after the initial Operating Agreement is signed, either acquires Units directly from the Company and is admitted as a Member pursuant to and in accordance with the terms of this Operating Agreement or any Person who acquires Units from a Member and is admitted as a Member pursuant to and in accordance with the terms of this Operating Agreement

**1.3**“Articles” mean the Articles of Organization for the Company.

**1.4**“Asset Value” means, with respect to any asset, the asset’s adjusted basis for federal income tax purposes, adjusted as follows:

1. The initial Asset Value of any property contributed to the Company shall be the asset’s fair market value as determined at the time of contribution by the Company and the contributing Member.
2. The Asset Values of all Company assets shall be adjusted to equal their respective fair market values, as determined by the Company, at the following times: (i) the acquisition of Units by a new Member or the acquisition of additional Units by an existing Member in exchange for more than a *de minimis* capital contribution; (ii) the distribution by the Company of more than a *de minimis* amount of cash or other property to a retiring or continuing Member as consideration for the retirement of all or part of that Member’s Units; or (iii) in connection with the liquidation of the Company within the meaning of Treas Reg 1.704-1(b)(2)(ii)(g).
3. The Asset Value of any asset distributed to a Member shall be adjusted to equal the fair market value of that asset on the date of distribution as determined by the Company.
4. The Asset Value of Company assets shall be increased or decreased, as appropriate, to reflect any adjustments to the adjusted basis of those assets pursuant to IRC 734(b) or IRC 743(b), but only to the extent that the adjustments are taken into account in determining Capital Accounts pursuant to Treas Reg 1.704-1(b)(2)(iv)(m) or section 5.2.7. However, no adjustment shall be made pursuant to this subsection (d) if the adjustment has been made under any other subsection under this section 1.4.

**1.5**“Bureau” means the Michigan Department of Licensing and Regulatory Affairs’ Corporations, Securities, and Commercial Licensing Bureau or its successor.

**1.6**“Capital Account” means the capital account maintained for a Member pursuant to section 3.4.

**1.7**“Capital Contribution” means, regarding any Member, the amount of money and the initial Asset Value of any property (including any membership interest in any other limited liability company) contributed to the Company by the Member. Capital Contribution shall include each Member’s initial Capital Contribution and any additional Capital Contributions.

**1.8**“Capital Contribution Date” means the date on which a Member makes a Capital Contribution.

**1.9**“Company Minimum Gain” shall have the meaning ascribed to the term “partnership minimum gain” in Treas Reg 1.704-2(b)(2).

**1.10**“Company Nonrecourse Deductions” shall have the meaning ascribed to the term in Treas Reg 1.704-2(c).

**1.11**“IRC” means the Internal Revenue Code of 1986, as amended.

**1.12**“Member” means the Person or Persons initially signing this Operating Agreement as a Member or any Person who is subsequently admitted as an Admitted Member of the Company pursuant to and in accordance with this Operating Agreement.

**1.13**“Member Nonrecourse Debt Minimum Gain” means an amount determined in accordance with Treas Reg 1.704-2(i)(3) with respect to each Member Nonrecourse Debt that would be Company Minimum Gain if the Member Nonrecourse Debt were a “nonrecourse liability” as that term is defined in Treas Reg 1.704-2(b)(3).

**1.14**“Member Nonrecourse Debt” means what is ascribed to the term “partner nonrecourse debt” in Treas Reg 1.704-2(b)(4).

**1.15**“Member Nonrecourse Deductions” means what is ascribed to the term “partner nonrecourse deductions” in Treas Reg 1.704-2(i)(2).

**1.16**“Membership Interest” means a Member’s rights in the Company including, without limitation, the right to receive distributions and the right to vote or participate in the management of the business and affairs of the Company to the extent such rights are granted under the Act or this Operating Agreement.

**1.17**“Partnership Representative” shall have the meaning ascribed to the term “Partnership Representative” under IRC 6223(a).

**1.18**“Percentage Interest” means, with respect to each Member, the quotient, expressed as a percentage, obtained by dividing the number of Units held by the Member by the total number of Units held by all Members.

**1.19**“Permanent Disability.” A natural Person shall be deemed to suffer from a Permanent Disability if that Member is determined by a medical doctor who is board certified and licensed to practice medicine in the state of Michigan that this Person, because of a medically determined disease, injury, sickness, or other mental or physical disability, is unable to perform substantially all of their regular duties for the Company or is otherwise substantially limited in one or more life activities such that the person is unable to work full time in either case for a period of 6 consecutive months or cumulatively for any period of 12 months in any 24-month period.

**1.20**“Person” means an individual, a partnership, a limited liability company, a trust, a custodian, an estate, an association, a corporation, a governmental entity, or any other legal entity.

**1.21**“Profits and Losses” means an amount equal to the Company’s taxable income or loss for the fiscal year determined under IRC 703(a) and Treas Reg 1.703-1, adjusted as follows:

1. All items of income, gain, loss, or deduction required to be separately stated pursuant to IRC 703(a)(1) shall be included.
2. Tax-exempt income as described in IRC 705(a)(1)(B) realized by the Company during the fiscal year shall be included.
3. Expenditures of the Company described in IRC 705(a)(2)(B) for the fiscal year, including items treated under Treas Reg 1.704-1(b)(2)(iv)(j) as items described in IRC 705(a)(2)(B), shall be taken into account as if they were deductible items.
4. Items that are specially allocated to the Members under sections 5.2 and 5.3 shall be excluded.
5. Regarding property (other than money) that has been contributed to the capital of the Company, Profit and Loss shall be computed in accordance with the provisions of Treas Reg 1.704-1(b)(2)(iv)(g) by computing depreciation, amortization, gain, or loss on the Asset Value of the property on the books of the Company.
6. Regarding any property of the Company that has been revalued as required or permitted by regulations under IRC 704(b), Profit or Loss shall be determined based on the Asset Value of the property as determined in the revaluation.
7. The difference between the adjusted basis for federal income tax purposes and the fair market value of any Company asset shall be treated as gain or loss from the disposition of the asset if (i) any new or existing Member acquires an additional interest in the Company in exchange for a contribution to the capital of the Company or (ii) the Company asset is distributed to a Member as consideration for a partial redemption of the Member’s Units (and corresponding Membership Interest percentage) in the Company or in “liquidation” (as this term is defined in Treas Reg 1.704-1(b)(2)(ii)(g)) of the Company’s Units.

**1.22**“Transfer” shall have the meaning ascribed to that term in section 10.1 of this Operating Agreement.

**1.23**“Treas Reg or Treas Regs” means the Treasury Regulations promulgated under the Internal Revenue Code as the context requires.

**1.24**“Units” is the term used to represent a Member’s ownership of a Membership Interest in the Company.

Additional terms are defined elsewhere in this Operating Agreement.

ARTICLE II  
ORGANIZATION

**2.1 Formation.** The Company has been organized as a member-managed Michigan limited liability company by the filing of the Articles as required by the Act. As provided in article VIII, the business and affairs of the Company shall be managed by or under the authority of the Members.

**2.2 Name.** The name of the Company is stated on the first page of this Operating Agreement. The name of the Company may be changed by an amendment to the Articles. The Company may also use one or more assumed or trade names.

**2.3 Purpose; Powers.** The Company has been formed for the purpose enumerated in the Articles. The Company shall have all the powers necessary or convenient to effect any purpose for which it is formed, including all powers granted by the Act.

**2.4 Duration.** The Company shall commence on the date of filing of the Articles with the Bureau and shall continue in existence for the period fixed in the Articles or until the Company dissolves and its affairs are wound up in accordance with the Act or this Operating Agreement.

**2.5 Registered Office and Resident Agent.** The registered office and resident agent of the Company shall be as designated in the initial or amended Articles. The registered office or resident agent may be changed from time to time by the Members. Any such change shall be made in accordance with the requirements of the Act. If the resident agent resigns, the Manager shall promptly appoint a successor.

**2.6 No Liability of Managers and Members.** Unless otherwise provided by law or in this Operating Agreement, a Manager or a Member of the Company is not liable for the acts, debts, or obligations of the Company.

ARTICLE III  
MEMBERSHIP

**3.1 Membership Interests.** Each Member’s ownership of a Membership Interest in the Company shall be represented by certificated or uncertificated Units. The number of Units owned by each Member and each Member’s Percentage Interest is set forth in schedule 3.1, as such Schedule may be amended from time to time whenever there is a change in the number of Units owned by any Member. Each Share owned by a Member shall be equivalent to a 1 percent Membership Interest.

**3.2 Initial Capital Contributions.** Each Person initially signing this Operating Agreement as a Member has made or will make an initial contribution to the capital of the Company as set forth in schedule 3.2.

**3.3 Additional Capital Contributions.** If the Members determine that additional funds are needed for the working capital of the Company, a capital call shall be made on the Members and the following provisions shall apply:

**3.3.1**The Company shall issue a written notice of capital request (Notice of Capital Request) to each Member to contribute additional capital to the Company in an amount and form the Company shall determine. The Notice of Capital Request shall include the following information:

1. the total amount of capital requested from all of the Members (Total Capital Request)
2. each Member’s share of the Total Capital Request, which shall be determined by multiplying the Total Capital Request by a fraction, the numerator of which shall be the number of Units owned by the Member and the denominator of which shall be the total number of Units owned by all Members (Member Capital Contribution)
3. the date on or before which the Member Capital Contribution shall be due, which the date shall not be less than 30 days from the date of the Notice of Capital Request

Should any Member neglect, fail, or refuse to timely contribute any portion of the Member’s Capital Contribution (Delinquent Member), all the Members shall be so notified by the Company(Member Notice), and the other Members who have paid their Member’s Capital Contribution in full (Nondelinquent Members) shall have the option to contribute the Delinquent Member’s Capital Contribution on a pro-rata basis in accordance with the then-respective Units of each other Nondelinquent Member as compared to the total Units of all Nondelinquent Members. If any Nondelinquent Member neglects, fails, or refuses to contribute its pro-rata share of the Delinquent Member’s Capital Contribution within 30 days of its receipt of the Member Notice, all other Nondelinquent Members shall have the right to contribute the remaining deficiency in the Delinquent Member’s Capital Contribution on a pro-rata basis (for all the other Nondelinquent Members and in the manner provided above). This procedure shall be repeated until the Delinquent Member’s Capital Contribution is satisfied or all Nondelinquent Members fail to contribute any additional capital.

**3.3.2**On the making of an additional Capital Contribution, the Units of the Members shall be adjusted so that the Units of each Member and each Member’s Capital Account shall be adjusted in accordance with section 1.4(d) of this Operating Agreement before the additional Capital Contribution and then shall equal an amount determined by the following formula:

(Capital Account of each Member’s additional Capital Contribution / Total Capital Accounts of all Members after additional Capital Contribution) x Total Units

**3.4 Member Capital Accounts.**

**3.4.1**The Company shall maintain a separate Capital Account for each Member. Each Member’s Capital Account shall be

1. increased for (i) the amount of cash and the Asset Value of any property contributed by the Member, (ii) the amount of any Company liabilities assumed by the Member or are secured by any property distributed to the Member, and (iii) the Member’s distributive share of any of the Company’s Profits and any items in the nature of income or gain that are specially allocated to the Member pursuant to sections 5.2 and 5.3 of this Operating Agreement;
2. decreased for (i) the amount of any cash and the Asset Value of any property distributed to the Member, (ii) the amount of any liabilities of the Member assumed by the Company or are secured by any property contributed by the Member to the Company, and (iii) the Member’s distributive share of any Losses of the Company and any items in the nature of expenses, losses, or deductions that are specifically allocated to the Member pursuant to sections 5.2 and 5.3 of this Operating Agreement; and
3. credited, in the case of an increase, or debited, in the case of a decrease, for the Member’s share of any adjustment to the adjusted basis of Company assets pursuant to IRC 734(b) or IRC 743(b) to the extent provided under Treas Reg 1.704-1(b)(2)(iv)(m).

**3.4.2**All of the provisions stated above regarding the establishment and maintenance of Capital Accounts are intended to comply with Treas Reg 1.704-1(b)(2)(iv) and shall be interpreted and applied to comply with the Treasury Regulation. The Members agree that the Company may make any adjustments to the Capital Accounts that may be necessary or appropriate to comply with the Treasury Regulation.

**3.5 No Rights to Company Assets.** Except as may otherwise be expressly provided in this Operating Agreement or under the Act, no Member is entitled to receive any interest or return on any contributions to the Company or on the Member’s Capital Account, nor does any Member have any interest, right, or claim in or to any of the Company’s assets.

**3.6 Borrowings.** The Company may borrow money from any source, including any Member, on the terms and conditions acceptable to the Company. However, if the Company desires to borrow money from a Member, the Company shall give all of the Members the opportunity to participate in the loan on a pro-rata basis (in accordance with the number of Units held by each Member).

**3.7 Admission of New Members.** The Members may by unanimous vote, pursuant to and in accordance with the terms of this Operating Agreement, admit as an Admitted Member any Person determined by the Members to satisfy the criteria established by the Members, in their sole and absolute discretion, for membership in the Company. The Person shall, before being admitted as an Admitted Member of the Company and as a condition to admission, execute any document or documents required by the Company, agree to be and become a Member of the Company, and agree to be bound by the terms of this Operating Agreement. The Company may issue additional Units in the Company to an Admitted Member on the terms and conditions and for whatever consideration, if any, the Members may unanimously determine.

**3.8 No Right of Withdrawal.** No Member shall have any right to withdraw from the Company as a Member nor any right to receive any payment or distribution from the Company on any actual or purported withdrawal. Each Member agrees not to withdraw, and each Member waives any right to withdraw and any right to receive any payment or distribution on withdrawal provided for under the Act.

ARTICLE IV  
ADMINISTRATIVE PROVISIONS

**4.1 Books of Account.** At all times during the continuance of the Company, the Company shall keep or cause to be kept full and true books of account reflecting each of the Company’s transactions. These books of account, together with a list of the name and address of each Member; a copy of the Articles; copies of the Company’s financial statements and federal, state, and local tax returns; reports for the three most recent fiscal years; a copy of this Operating Agreement; and copies of records that would enable a Member to determine the Member’s Units shall be maintained at all times at the Company’s registered office. These books shall be open to reasonable inspection and examination by the Members at the Company’s registered office, during reasonable business hours, on reasonable notice to the Company. The Company may engage certified public accountants to assist in the preparation of the Company’s books and financial statements and to render any other services the Company requests.

**4.2 Reports.** The Company shall furnish to each Member within 90 days after the end of each fiscal year, or as soon as practical, an annual report of the Company’s business and operations during the year, together with any information as may be necessary for the preparation of each Member’s federal and state income or other tax returns. The annual report shall contain a copy of the Company’s annual financial statement showing the Company’s gross receipts and expenses and profit or loss and their allocations to each Member for the year.

**4.3 Fiscal Year and Accounting Method.** The fiscal year of the Company shall be determined in accordance with IRC 706(b) and the regulations promulgated under it. The Company’s books and records shall be kept on the cash or accrual method.

**4.4 Checks.** All checks, drafts, orders for the payment of money, notes, or evidences of indebtedness issued in the name of the Company shall be signed by one or more Officers or agents of the Company, as shall be determined by the Members.

**4.5 Partnership Representative; Member Tax Returns.**

**4.5.1**As used in this Operating Agreement, the Partnership Representative shall be that person who is designated as the Company’s Partnership Representative. The initial Partnership Representative is **[name]**.

**4.5.2**The Partnership Representative can be removed at any time by a vote of Members holding a majority of the Units and must resign if it is no longer a Member. In the event of the resignation or removal of the Partnership Representative, Members holding a majority of the Units will select a replacement Partnership Representative.

**4.5.3**The Partnership Representative is authorized and required to represent the Company (at the Company’s expense) in connection with all examinations of the Company’s affairs by federal, state, local, or foreign taxing authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services and costs associated with that. The Partnership Representative will have sole authority to act on behalf of the Company in any such examinations and any resulting administrative or judicial proceedings and will have sole discretion to determine whether the Company (either on its own behalf or on behalf of the Members) will contest or continue to contest any tax deficiencies assessed or proposed to be assessed by any taxing authority.

**4.5.4**The Partnership Representative, in its sole discretion, will have the right to make any elections and to take any actions that are available to be made or taken by the Partnership Representative or the Company under the partnership audit procedures set forth in Subchapter C of Chapter 63 of the Code (the partnership audit rules) (including an election under IRC 6226), and the Members will take the actions reasonably requested by the Partnership Representative. To the extent that the Partnership Representative does not make an election under IRC 6221(b) or IRC 6226, (1) the Company will use commercially reasonable efforts to make any modifications available under IRC 6225(c)(3), (4), and (5), and (2) the Members will take the actions as reasonably requested by the Partnership Representative, including filing amended tax returns and paying any tax due under IRC 6225(c)(2)(A) or paying any tax due and providing applicable information to the Internal Revenue Service under IRC 6225(c)(2)(B).

**4.5.5**Each Member agrees that the Member will not treat any Company item inconsistently on the Member’s federal, state, foreign, or other income tax return with the treatment of the item on the Company’s return. Any deficiency for taxes imposed on any Member (including penalties, additions to tax, or interest imposed with respect to the taxes and taxes imposed pursuant to IRC 6226) will be paid by the Member and if required to be paid (and actually paid) by the Company, will be recoverable from the Member as provided in Section 4.5.4.

**4.5.6**The Partnership Representative will make an election under IRC 754, if requested in writing by a Member.

**4.5.7**Any expenses incurred by the Partnership Representative in carrying out its responsibilities and duties in the capacity under this Agreement will be an expense of the Company for which the Partnership Representative will be reimbursed by the Company.

**4.5.8**The Company will indemnify, hold harmless, defend, pay, and reimburse the Partnership Representative against any losses incurred as a result of any act or decision concerning Company tax matters and within the scope of the Member’s responsibilities as the Partnership Representative, so long as the act or decision was done or made in good faith and does not constitute gross negligence or willful misconduct.

ARTICLE V  
PROFIT AND LOSS ALLOCATIONS

**5.1 Allocation of Profits and Losses.** After the application of sections 5.2 and 5.3, Profits and Losses for each fiscal year (or any portion thereof) shall be allocated among the Members in accordance with their Percentage Interest.

**5.2 Regulatory Allocations.** The following regulatory allocations shall be made in the following order of priority:

**5.2.1 Minimum-Gain Chargeback.** To the extent and in the manner required by Treas Reg 1.704-2(f)(1), if there is a net decrease in Company Minimum Gain for any fiscal year, each Member shall be specially allocated items of Company income or gain for the fiscal year (and, if necessary, succeeding fiscal years) in an amount equal to that Member’s share of the net decrease in Company Minimum Gain determined under Treas Reg 1.704-2(g). This section 5.2.1 shall be interpreted and applied in a manner consistent with the minimum-gain chargeback requirements of Treas Reg 1.704-2(f).

**5.2.2 Member Minimum-Gain Chargeback.** To the extent and in the manner required by Treas Reg 1.704-2(i)(4), if there is a net decrease in Member Nonrecourse Debt Minimum Gain during any fiscal year, each Member who has a share of that Member Nonrecourse Debt Minimum Gain, determined in accordance with Treas Reg 1.704-2(i)(5), shall be specially allocated items of Company income and gain for the fiscal year (and, if necessary, succeeding fiscal years) in an amount equal to the Member’s share of the net decrease in Member Nonrecourse Debt Minimum Gain, determined in accordance with Treas Reg 1.704-2(i)(4). The items to be allocated shall be determined in accordance with Treas Reg 1.704-2(f)(6). This section 5.2.2 shall be interpreted and applied in a manner consistent with the minimum-gain chargeback requirement of Treas Reg 1.704-2(i)(4).

**5.2.3 Qualified Income Offset.** If any Member unexpectedly receives any adjustments, allocations, or distributions described in Treas Reg 1.704-1(b)(2)(ii)(d)(4), (5), or (6), items of Company income and gain shall be specially allocated to the Member in an amount and manner sufficient to eliminate, as quickly as possible, to the extent required by the Treasury Regulations, the deficit capital account of the Member after the Member’s Capital Account is (a) credited for any amounts the Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treas Reg 1.704-2(g)(1) and (i)(5) and (b) debited for those items described in Treas Reg 1.704-1(b)(2)(ii)(d)(4), (5), and (6). However, an allocation under this section 5.2.3 shall only be made if and to the extent that the Member would have a deficit capital account (as adjusted in the manner provided for here) after all other allocations provided for in this article V have been tentatively made as if this section 5.2.3 were not in this Agreement.

**5.2.4 Gross Income Allocation.** If any Member has a deficit Capital Account at the end of any fiscal year that is in excess of the sum of (i) the amount the Member is obligated to restore pursuant to any provision of this Operating Agreement and (ii) the amount the Member is deemed to be obligated to restore pursuant to the penultimate sentences of Treas Reg 1.704-2(g)(1) and (i)(5), each such Member shall be specially allocated items of Company income and gain in the amount of the excess as quickly as possible, provided that an allocation pursuant to this section 5.2.4 shall be made only if and to the extent that the Member would have a deficit Capital Account in excess of this sum after all other allocations provided for in this article V have been made as if section 5.2.3 and this section 5.2.4 were not in the Operating Agreement.

**5.2.5 Company Nonrecourse Deductions.** Any Company Nonrecourse Deductions shall be allocated among the Members in accordance with their Percentage Interest.

**5.2.6 Member Nonrecourse Deductions.** Any Member Nonrecourse Deductions shall be specially allocated to the Members who bear the economic risk of loss with respect to the Member Nonrecourse Debt to which Member Nonrecourse Deductions are attributable. This section 5.2.6 shall be interpreted and applied in a manner consistent with Treas Reg 1.704-2(i)(1).

**5.2.7 IRC 754 Adjustments.** To the extent an adjustment to adjusted tax basis of any Company Asset pursuant to IRC 734(b) or IRC 743(b) is required, pursuant to Treas Reg 1.704-1(b)(2)(iv)(m)(2) or (4), to be taken into account in determining Capital Accounts as the result of a distribution to a Member in complete liquidation of the Member’s Units in the Company, the amount of the adjustment to Capital Accounts shall be treated as an item of gain or loss, as applicable, and the gain or loss shall be specially allocated to the Members in accordance with their Membership Interest in the Company if Treas Reg 1.704-1(b)(2)(iv)(m)(2) applies or to the Member to whom the distribution was made if Treas Reg 1.704-1(b)(2)(iv)(m)(4) applies.

**5.3 Curative Allocations.** The allocations in section 5.2 are necessary to comply with the requirements of the Treasury Regulations. To the maximum extent possible, the regulatory allocations made pursuant to section 5.2 shall be offset by other items of the Company income, gain, loss, or deduction so that, after the offsetting allocations are made, the Members’ Capital Account balances are, to the extent possible, equal to the Capital Account balances the Members would have if the regulatory allocations were not made and all items of income, gain, loss, deduction, or credit were allocated in accordance with each Member’s respective Units.

**5.4 Allocations Regarding Contributed Property.** In accordance with IRC 704(c) and the Treasury Regulations under it, items of income, gain, loss, and deduction with respect to any property contributed to the capital of the Company by any Member shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of the property to the Company for federal income tax purposes and its Asset Value for Capital Account purposes. Whenever the Capital Accounts of Members are required to be adjusted pursuant to Treas Reg 1.704-1(b)(2)(iv)(f) or (g) with respect to a revaluation of any asset of the Company, subsequent allocations of income, gain, loss, and deduction, including, without limitation, depreciation with respect to the asset, shall take into account any variation between the then-existing adjusted tax basis of the asset and the Asset Value as adjusted of the asset, as the computations may be required under IRC 704(b) and (c) and the regulations promulgated under them.

**5.5 Interpretation.** The Members intend that the allocations of the Company’s Profits and Losses shall be applied in a manner consistent with IRC 704 and the Treasury Regulations promulgated under it. The provisions of this article V shall be interpreted in a manner consistent with IRC 704 and the Treasury Regulations promulgated under it.

ARTICLE VI  
DISTRIBUTIONS

**6.1 Nonliquidating Distributions.**

**6.1.1**Subject to section 6.3, the Company and Members agree that for each fiscal year, the Company shall distribute sufficient cash to the Members (in accordance with their Percentage Interest) for the Members to timely pay when due (whether in estimated tax payments or with a final tax return, as applicable) all federal, state, and local income taxes resulting from the income of the Company being taxed to the Members due to the partnership tax status of the Company (Tax Distributions). The Company’s obligation to make the Tax Distributions shall be deemed to be a liability of the Company and shall be properly reserved for by the Company before making any other nonliquidating distributions. For this purpose, the Members will be deemed to pay tax at the highest marginal corporate income tax rate.

**6.1.2**Subject also to section 6.3, additional distributions may be made to the Members (in accordance with each Member’s Percentage Interest) in the amounts or forms and at the times determined by the Members.

**6.2 Liquidating Distributions.** If the Company is dissolved under article XII or is liquidated within the meaning of Treas Reg 1.704-1(b)(2)(ii)(g), in compliance with Treas Reg 1.704-1(b)(2)(ii)(b)(2), all liquidating distributions shall be made to the Members who have positive Capital Accounts, in accordance with the positive Capital Account balances, but only after the Capital Accounts have been adjusted for all prior contributions and distributions and all allocations under article V for all fiscal years (including the fiscal year during which the liquidation occurs).

**6.3 Restrictions on Distributions.** Except as otherwise permitted under the Act, no distribution (nonliquidating or liquidating) shall be made if, after giving the distribution effect, the Company would not be able to pay its debts as they become due in the usual course of business or the Company’s total assets would be less than the sum of its total liabilities. The effect of the distribution shall be measured at the times set forth in the Act.

ARTICLE VII  
MEMBER VOTING

**7.1 Member Voting.** Subject to the terms and provisions of this Operating Agreement, each Share is entitled to 1 vote on each matter submitted to a vote of the Members. A vote may be cast orally or in writing as determined by the Member presiding over the meeting. Except as otherwise provided by the Articles or this Operating Agreement, any and all actions, decisions, and approvals of the Members shall require the affirmative vote of a majority of the outstanding Units.

**7.2 Meetings.** A meeting of the Members may be called by 1 or more Members holding at least 50 percent of the total outstanding Units. Any such Member or Members shall provide each of the Members with written notice of the time, place, and purposes of any meeting not less than 5 nor more than 30 days before the scheduled date of any meeting.

A Member may participate in any meeting of the Members by a conference telephone or by other similar communications equipment through which all persons participating in the meeting may communicate with the other participants. Participation in a meeting by a conference telephone or by other similar communications equipment by a Member constitutes presence of the Member in person at the meeting. A Member may waive notice of the time, place, and purpose of any meeting either before or after any meeting is held.

**7.3 Adjournment of Meetings.** Any meeting of the Members may be adjourned to another time or place by a majority vote of the Units present, regardless of whether such Units constitute a majority of the outstanding Units at the time of the adjournment. If a meeting is adjourned, notice of the adjourned meeting is not required to be given if the time and the place of the adjourned meeting is announced at the meeting at which the adjournment occurs. The Members may transact any business at the adjourned meeting that might have been transacted at the original meeting.

**7.4 Actions by Written Consent.** Any action required or permitted by the Act, the Articles, or this Operating Agreement to be taken at any meeting of the Members may be taken without a meeting, without prior notice, and without a vote if a written consent setting forth the action taken is signed by the Members who collectively own a majority of the outstanding Units entitled to vote.

ARTICLE VIII  
MANAGEMENT

**8.1 Management by Members.** As provided in the Act, the business of the Company shall be managed by the Members, subject to the provisions in this Operating Agreement restricting or enlarging the management rights and duties of any Member or group of Members. Further, as provided in the Act, the Members are considered managers for purposes of applying the Act unless the context clearly requires otherwise. Moreover, as provided in the Act, the Members have, and are subject to, all of the duties and liabilities of managers and to all of the limitations on liability and indemnification rights of managers.

**8.2 Actions, Decisions, and Approvals of Members.** Any and all actions, decisions, and approvals of the Members shall be made and given in accordance with section 7.1 of this Operating Agreement.

**8.3 Restrictions on Individual Authority.** Notwithstanding the agency authority of the Members, the Members agree with the Company and each other that no Member, acting individually, shall have the power or authority to act on behalf of or bind the Company, to authorize any action to be taken by the Company, to act as agent for the Company, or to incur any liability or expense on behalf of the Company, unless the power or authority has been delegated to the Member by a written resolution duly adopted by the Members in accordance with the provisions of section 7.1 of this Operating Agreement and then only to the extent expressly provided for in the resolution.

**8.4 Day-to-Day Operations.** The ordinary day-to-day operations of the Company shall be managed by the Members, acting individually or as a group, as the Members may, from time to time, perform or agree to perform, subject, however, to the other provisions and restrictions of this Operating Agreement.

ARTICLE IX  
INDEMNIFICATION; EXCULPATION OF LIABILITY

**9.1 Indemnification.** The Company shall indemnify, defend, and hold harmless a Member acting as a Manager who was or is a party or is threatened to be made to be a party to a threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal, other than an action by or in the right of the Company, by reason of the fact that the Member is or was a member of the Company or is or was acting as a manager of the Company. The Member shall be indemnified against all losses, expenses, claims, and demands (including attorney fees, judgments, penalties, fines, and amounts paid in settlement) actually and reasonably incurred by the Member in connection with the action, suit, or proceeding except for the receipt of a financial benefit to which the Member is not entitled, for liability under Section 308 of the Act, MCL 450.4308, or for a knowing violation of law.

**9.2 Monetary Liability of Member.** A Member acting as a Manager shall not be monetarily liable to the Company or its Members for that Member’s breach of any duty established in section 404 of the Act except, however, that the Member shall not be so absolved of liability and shall be liable for the receipt of a financial benefit to which such individual is not entitled for liability under section 308 of the Act, MCL 450.4308, or for a knowing violation of law.

ARTICLE X  
TRANSFERS OF UNITS

**10.1 Restrictions on Transfers of Units.**

**10.1.1**The Members each agree that they will not voluntarily, involuntarily, or by operation of law sell, transfer, assign, encumber, pledge, convey, or otherwise dispose of (Transfer) part or all of the Units they now own or may acquire at a later time, except pursuant to the terms of this article X or as provided in article XI. Any Transfer or attempted Transfer in violation of this article X shall be null and void and of no effect whatsoever except as provided in article XI.

Any certificate representing Units owned by a Member shall conspicuously bear the following legend:

THE OWNERSHIP, ENCUMBRANCE, PLEDGE, ASSIGNMENT, SALE, TRANSFER, OR OTHER DISPOSITION OF THE MEMBERSHIP INTEREST EVIDENCED BY THIS CERTIFICATE IS SUBJECT TO THE RESTRICTIONS IN AN OPERATING AGREEMENT BETWEEN THE MEMBER, THE COMPANY, AND THE OTHER MEMBERS. THAT AGREEMENT CONTAINS CERTAIN RIGHTS AND OPTIONS OF THE COMPANY AND THE OTHER MEMBERS TO PURCHASE THIS MEMBERSHIP INTEREST. A COPY OF THE OPERATING AGREEMENT IS ON FILE AT THE OFFICE OF THE COMPANY. ANY ENCUMBRANCE, PLEDGE, ASSIGNMENT, SALE, TRANSFER, OR OTHER DISPOSITION OF THIS MEMBERSHIP INTEREST CONTRARY TO THE OPERATING AGREEMENT SHALL BE NULL AND VOID AND OF NO EFFECT WHATSOEVER.

In the event of the dissolution of a Member that is a corporation, limited liability company, partnership, limited partnership, or any other entity, the successors in interest of the dissolved Member shall, for the purposes of winding up the affairs of the dissolved Member, have the rights of a mere assignee of the Member’s membership interest in the Company, as provided in the Act, and shall not become an additional or substitute Member.

Any direct or indirect transfer or assignment of any direct or indirect ownership or other interest in a Member that is a corporation, limited liability company, partnership, limited partnership, trust, or any other entity that (taking into account any prior transfers or assignments) results in the Member being controlled by a Person or Persons other than the Person or Persons that controlled the Member when the Member first became a Member shall be deemed a Transfer of the Units of the Member and therefore subject to all of the terms of this article X. In addition, any encumbrance, pledge, or other collateral assignment of a direct or indirect ownership or other interest in a Member that is a corporation, limited liability company, partnership, limited partnership, or any other entity that, if the pledgee or other assignee were to exercise its right to acquire the interest, would (taking into account any prior transfers or assignments described above and any prior pledges, encumbrances, or collateral assignments) result in the Member being controlled by a Person or Persons other than the Person or Persons that control the Member when that Member first became a Member, shall be deemed a Transfer of the Units of the Member and therefore shall also be subject to all of the restrictions and provisions of this article X.

**10.1.2**Notwithstanding the foregoing to the contrary, a Member may Transfer the Member’s Units to a revocable trust created for the benefit of and subject to the exclusive dominion and control of the Member during the lifetime of the Member (a Permitted Trust Transfer), provided that the Permitted Trust Transfer is made in accordance with the terms of section 10.4. The Units held shall be subject to and shall be bound and governed by all of the provisions of this Operating Agreement. On a Permitted Trust Transfer and the execution by the trustee (or trustees) of a written agreement, in form and substance satisfactory to the Company, pursuant to which the trustee (or trustees) agree to be bound by the terms of this Operating Agreement, the trustee (or trustees) of any such trust shall automatically be admitted as an Admitted Member in accordance with the terms of section 10.4.

**10.2 Transferee’s Rights.** Notwithstanding the Transfer of part or all of the Units owned by a Member, whether or not in compliance with the provisions of this article X, under no circumstances shall any transferee be admitted as an Admitted Member except in accordance with the terms of section 10.4. No transferee shall have any right to vote on or participate in the management or affairs of the Company, unless and until the transferee qualifies and is admitted as an Admitted Member in accordance with the terms of section 10.4. A transferee who is not admitted as an Admitted Member shall be entitled only to the profits, losses, and distributions allocated to the Units under this Operating Agreement.

**10.3 Transferor’s Rights.** A Member who Transfers all or part of the Units owned by the Member shall no longer have any rights regarding the Units transferred (even if the transferee is not admitted as an Admitted Member) but shall continue to have all of the liabilities and obligations regarding the Units even if the liabilities and obligations are assumed by the transferee. A Member shall cease to be a Member in the Company on the Transfer of all of the Units owned by the Member whether or not the transferee is admitted as an Admitted Member.

**10.4 Admission of Admitted Member.**

**10.4.1**A transferee pursuant to a Permitted Trust Transfer shall automatically be admitted as an Admitted Member unless

1. the Transfer will, in the opinion of counsel satisfactory to the Company, result in the Company not qualifying for an exemption from the registration requirements of federal or any applicable state securities law;
2. the Transfer otherwise would, in the opinion of counsel satisfactory to the Company, result in any adverse tax consequence to the Company or the Members;
3. the Transfer will be to a “foreign person” as that term is defined in the Foreign Investment Real Property Tax Act of 1980, as amended; or
4. the Transfer will result in the default under a loan agreement or other material agreement to which the Company or any of its assets are subject.

**10.4.2**No other transferee shall be admitted as an Admitted Member unless and until

1. the Members unanimously consent to the transferee’s admission as an Admitted Member;
2. the transferee shall furnish to the Company the transferee’s taxpayer identification number and any and all other information necessary or appropriate for the Company to file any and all required federal and state tax forms and returns; and
3. the transferee executes a written agreement, in form satisfactory to the Company, pursuant to which the transferee agrees to be bound by all of the terms of this Operating Agreement.

**10.5 Mandatory Offer to Sell in Case of a Bona Fide Offer.**

**10.5.1**If a Member desires, for any reason, to Transfer any of the Units then owned by the Member pursuant to an offer to purchase the Units received from another Person (Bona Fide Offer), the Member shall immediately provide the Company and the other Members with written notice, together with a copy of the Bona Fide Offer if it is in writing and any and all information (including any related documents). For a period of 60 days following the receipt of the notice and information, or for a period of 30 days following the determination of the Purchase Price under the terms of this article X, whichever is longer, the Company shall have the exclusive right and option (First Option), but not the obligation, to elect to purchase all of the Units subject to the Bona Fide Offer either at the same price and terms as in the Bona Fide Offer or at the price provided in section 10.11.1 and the terms in sections 10.12, 10.13, and 10.14 of this Operating Agreement. The Company shall be free to select either alternative or neither in its sole and absolute discretion. If the Company fails to exercise the First Option, for an additional 60-day period, the other Members of the Company shall have the exclusive right and option (Second Option), but not the obligation, to purchase all of the Units subject to the Bona Fide Offer (Second Option) on a Pro-Rata Basis either at the same price and terms as in the Bona Fide Offer or at the price provided in section 10.11.1 and terms provided in sections 10.12, 10.13, and 10.14 of this Operating Agreement. If the Members fail to exercise the Second Option as provided above, the Member desiring to sell the Units may sell them subject to the Bona Fide Offer to the purchaser named in the Bona Fide Offer but only if the sale is made strictly in accordance with all of the terms of the Bona Fide Offer. However, if the sale pursuant to the Bona Fide Offer is not consummated within 60 days following the expiration of the Second Option, the Member desiring to sell the Units must once again give the Company the First Option and the other Members the Second Option to purchase the Units on a Pro Rata Basis before any Transfer of any Units pursuant to that or any other Bona Fide Offer. If either the First Option or Second Option is exercised and the terms of the Bona Fide Offer are selected by the purchaser, the sale of Units shall be closed in the time frame provided for within the Bona Fide Offer or at any time within 60 days following the exercise of the option at the sole election of the party exercising that option.

**10.5.2**The terms of section 10.5.1 shall not apply to any transaction subject to article XI of this Operating Agreement.

**10.5.3**For the purposes of article X of this Operating Agreement, “Pro-Rata Basis” with reference to the purchase of any Units of a selling Member by the remaining Members means that basis of sharing pursuant to the unanimous written agreement of the remaining Members or, absent that agreement, pursuant to each of the remaining Members relative to the other remaining Members (excluding the Units owned by the selling Member), and if one or more of the remaining Members declines to purchase the Member’s entire share of the Units being sold, unpurchased Units shall again be offered to the remaining Members (other than any declining Member) in accordance with their revised respective percentage interests (excluding any Units of the selling Member or any declining Member), and the foregoing process shall be repeated until all of the remaining Units of the selling Member to be purchased by the remaining Members are purchased.

**10.6 Mandatory Offer to Sell in Absence of a Bona Fide Offer or on Another Triggering Event.** If any Member desires for any reason to Transfer any of the Units then owned by the Member in the absence of a Bona Fide Offer or automatically on the occurrence of any of the triggering events set forth in sections 10.7, 10.8 or 10.9, the Member’s legal representative or successor shall immediately provide the Company and the other Members with written notice and, on the occurrence of any such triggering event, the Member shall be deemed to have made an offer to sell all of the Member’s Units at the price and on the terms as provided in sections 10.11, 10.12, 10.13, and 10.14 of this Operating Agreement. For a period of 60 days following the receipt of the written notice, or within a 30-day period following the determination of the Purchase Price under the terms of this article X, whichever is longer, the Company shall have the exclusive right and option, but not the obligation, to purchase all of the Member’s Units at the price and on the terms in sections 10.11, 10.12, 10.13, and 10.14 of this Operating Agreement. If the Company fails to exercise this option, for an additional 30-day period the other Members of the Company shall have the exclusive right and option, but not the obligation, to purchase the Units not acquired by the Company on the same price and terms as available to the Company. Any purchase of Units by the other Members of the Company shall be made on a Pro-Rata Basis. If the other Members fail to exercise their option to purchase the Units, the Member desiring to sell the Units shall not be permitted to Transfer the Units unless and until the Member obtains a Bona Fide Offer for the Units and complies with section 10.5 and, until such time, all of the Units shall continue to be subject to all of the terms of article X.

**10.7 Involuntary Transfers.** Each Member agrees that if a Member suffers any involuntary Transfer or purported involuntary Transfer of part or all of that Member’s Shares, including, but not limited to, any Transfer or purported Transfer resulting from bankruptcy, insolvency, divorce, or otherwise (other than on account of death), that Member shall immediately provide the Company and all other Members with written notice and the Member shall be deemed to have made on the date of that event an offer to sell all of the Member’s Units pursuant to section 10.6 and the Company and other Members shall have the option, but not the obligation, to acquire the Units in the manner set forth in section 10.6. For the purpose of this section, an involuntary Transfer shall be deemed to have occurred at the moment a petition in bankruptcy is filed by or against the Member, a petition seeking the appointment of a receiver over the Member’s property is filed by or against the Member, or a complaint of divorce is filed by or against the Member.

**10.8 Death and Permanent Disability.** Each Member who is a natural Person and each Member that is a trust agree for that Member and the Member’s legal representatives or successors (including the successor trustee (or trustees) of a trust holding the Units pursuant to a Permitted Trust Transfer) that on the death or Permanent Disability of that Member who is a natural Person or of the natural Person who is trustee of such trust, an offer to sell all of the Member’s Units will be deemed to have been made pursuant to section 10.6 and the Company and the other Members shall have the option to acquire those Units in the manner set forth in section 10.6.

**10.9 Termination of Employment or Association.** If a Member who is a natural Person or a natural Person who is the trustee of a trust that is a Member is employed by or otherwise actively involved in the Company’s business, whether as a manager, officer, independent contractor, or otherwise, and that natural Person resigns, is terminated, is removed, is no longer performing services for the Company, or is no longer actively involved in the business of the Company, whether for cause, without cause, voluntarily, involuntarily, or for any reason or no reason whatsoever, an offer to sell all of such Member’s Units shall be deemed to have been made pursuant to section 10.6 of this Operating Agreement and the Company and other Members shall have the option to acquire such Units in the manner set forth in section 10.6.

**10.10 Deadlock.** If any matter submitted to a vote of the Members fails to be approved by the Members (Deadlock), the Members shall engage in good faith discussions to resolve the Deadlock. If, after 30 days, the Deadlock is still not resolved by the required vote of the Members, the Deadlock shall be submitted to one or more mediators selected by the Members. If, after an additional 30 days, the Deadlock is still not resolved with the required vote of the Members, for an additional 10 days, any Member may deliver to the other Members a written offer to sell the Member’s Units to the other Members on a Pro-Rata Basis for the Book Value of the Units or to purchase the Units of the other Members on a Pro-Rata Basis for the Fair Market Value of the Units. The other Members shall then have for an additional 10 days the exclusive right and option, but not obligation, to in writing either accept the Member’s offer to sell the Units to the other Members or to accept the Member’s offer to purchase the Units of the other Members. If the other Members reject the offer or fail to unanimously accept it within this period, the Member making the initial offer shall then have for an additional 10 days the exclusive right and option to elect in writing to require the other Members to either purchase the Member’s Units at their Book Value or to require the other Members to sell their Units at their Fair Market Value. Any sale and purchase of the Units under this section 10.10 shall be on the terms in sections 10.11, 10.12, 10.13, and 10.14 of this Operating Agreement.

**10.11 Purchase Price.**

**10.11.1**The Purchase Price to be paid on the purchase and sale of Units sold pursuant to sections 10.5.1, 10.7, or 10.9 or as provided in section 10.10 of this Operating Agreement shall be the Book Value of the Units, meaning the amount equal to the Capital Account balance of the Member holding the Units. However, the Member’s Capital Account shall be adjusted to exclude any adjustments made to the Member’s Capital Account pursuant to either section 1.4(b) or section 1.4(d) as of the last day of the month preceding the offer to sell or deemed offer to sell. If the parties to the transaction cannot agree on the Book Value of the Units within 30 days of the date of the offer or deemed offer, as appropriate, the certified public accountant customarily retained by the Company shall, in accordance with generally accepted accounting principles, consistently applied, determine the Book Value of the Units. This determination shall be final and binding on all parties and enforceable by the issuance of the appropriate orders by a court of competent jurisdiction.

**10.11.2**The Purchase Price to be paid on the purchase and sale of Units sold pursuant to section 10.8 or as provided in section 10.10 of this Operating Agreement shall be the Fair Market Value of such Units, which means the fair market value of the Units as of the last day of the month preceding the offer to sell or deemed offer to sell. If the parties to the transaction cannot agree on the Fair Market Value of the Units within 30 days of the date of the offer or deemed offer, as appropriate, within the following 10 days the parties shall appoint a mutually agreeable appraiser to determine the Fair Market Value of the Units. The appraiser shall submit a written appraisal of the Units within 30 days after the appraiser’s appointment and this appraisal shall be final and binding on all parties and enforceable by the issuance of the appropriate orders by a court of competent jurisdiction. If the parties cannot agree on a mutually agreeable appraiser within the allotted time period, each party shall, within 10 days after that time period, designate one qualified independent appraiser. The appraisers so designated shall themselves, within 15 days, designate a third qualified independent appraiser. Each of the three appraisers shall submit, within 30 days after all the appraisers have been designated, a written appraisal of the Fair Market Value of the Units. The numerical average of the 2 closest appraisals shall determine the Fair Market Value of the Units and shall be final and binding on all parties and enforceable by the issuance of the appropriate orders by a court of competent jurisdiction. The appraisal that is not one of the 2 numerically closest appraisals shall be rejected. Each party shall pay the costs and expenses of their respective appraisers, and the party whose appraisal is rejected shall pay the costs and expenses of the independent appraiser. If the appraisal of the independent appraiser is rejected, the costs and expenses of the independent appraiser shall be borne equally by the parties. If one party fails, refuses, or otherwise neglects to appoint an appraiser, the other party’s appraiser shall solely determine the Fair Market Value of the Units and that determination shall be final and binding on the parties and enforceable by the issuance of the appropriate orders by a court of competent jurisdiction.

**10.12 Payment of Purchase Price.** The Purchase Price shall be paid in full in immediately available funds by wire transfer to an account designated in writing by the selling Member or by certified or bank cashier’s check at the Closing (as defined in section 10.13) or, at the sole election of the Company or Members purchasing the Units, the Purchase Price shall be paid by the delivery of immediately available funds by wire transfer or certified or bank cashier’s check in an amount equal to 20 percent of the Purchase Price and the balance shall be paid pursuant to a nonnegotiable promissory note of the Company (the Note) providing for equal annual payments of principal, together with accrued interest, over the following 5-year period beginning on the first anniversary of the Closing. The Note, which shall be executed and delivered at Closing, shall provide for interest equal to the prime rate of interest published in the *Wall Street Journal* as of the date of the Note, which the rate of interest shall be adjusted thereafter on each anniversary of the Note to the prime rate published by the *Wall Street Journal.* The Note shall also provide that it may be prepaid without penalty, in whole or in part, at any time and from time to time. On default in any payment due under the Note for over 30 days, the holder of the Note shall have the option to declare the entire unpaid balance immediately due and payable.

**10.13 Closing.** The sale and purchase of Units pursuant to this article X shall be consummated at a closing (the Closing) to be held within 60 days following the determination of the Purchase Price. The Member selling the Units is sometimes referred to as the Seller and the Company or Member purchasing the Units is sometimes referred to as the Purchaser.

**10.13.1**The Closing shall take place at the principal office of the Company or at another place the parties to the transaction may agree to in writing.

**10.13.2**The date and time of the Closing shall be established by the Company, which shall provide written notice to the Seller at least seven days before the Closing.

**10.13.3**At the Closing, the Purchaser shall pay for the Units in the manner provided by section 10.12 and the Seller shall execute and deliver (a) any certificates representing all of the Units to be sold, duly endorsed for transfer, free and clear of all liens, encumbrances, and claims whatsoever and (b) such form (or forms) of assignment and other documents required by the Purchaser to legally and completely sell, transfer, and assign the Units to the Purchaser.

**10.13.4**If the Seller protests the Closing, does not attend the Closing, or otherwise does not deliver the appropriate certificates and/or assignments at the Closing,

1. the sale, transfer, and assignment of the Units shall nonetheless occur and be effective without the requirement of any action being taken by the Seller,
2. the Purchase Price (and cash and/or Note, as applicable) shall be deposited with the Company, and
3. the Company shall be entitled to and shall automatically and unilaterally adjust its books to reflect that the Units have in fact been sold, transferred, and assigned to the Purchaser.

**10.13.5**Each Member is irrevocably appointed as Seller’s true and lawful attorney in fact with the power to execute and deliver in the Seller’s place and stead all certificates, instruments, and documents necessary or incidental to the sale, transfer, and assignment of the Units at the Closing. This power of attorney is irrevocable and is coupled with an interest and does not terminate on the Seller’s disability, but continues as long as this Operating Agreement is in effect.

**10.14 Setoff.** If any amount is or becomes payable by the Seller to the Purchaser, the Purchaser shall have the option to elect to reduce, on a dollar-for-dollar basis, any amount due or payable to the debtor Member under this Operating Agreement or otherwise by any such amount due or payable by the Seller to the Purchaser. This elective right of setoff shall be cumulative and in addition to any and all additional remedies to which the Purchaser may be entitled at law or equity.

ARTICLE XI  
SALE OF THE COMPANY

**11.1 Sale of the Company.** If the Company receives an offer to purchase all or substantially all of the assets of the Company or an offer to be a party to a merger, a share exchange, or other combination or if one or more Members who own, individually or together, more than 50 percent of the outstanding Units (the Controlling Member(s)) receives an offer to purchase the Units of the Controlling Member(s), the Controlling Member(s) desire to accept the following:

1. The terms and restrictions in sections 10.1 and 10.5 shall not apply to such transaction.
2. Each other Member shall cooperate fully in any such transaction and execute any document that may be desired or required and to take any other action and do any other thing that may be desired or required.
3. At the option of the Controlling Member(s), each other Member shall sell the Member’s Units to the Company, the Controlling Member(s), or to the Person offering to purchase the Units of the Controlling Member(s) at the price and on the terms provided in the offer.
4. Any liability of the Members for postclosing adjustments and indemnification shall be shared by the Members, among themselves, by contribution, according to their respective Units unless otherwise agreed to by the Members.

ARTICLE XII  
DISSOLUTION OF COMPANY

**12.1 Dissolution of Company.** The Company shall be dissolved and its affairs wound up on the first to occur of any one of the following:

1. the time, if any, specified in the Articles;
2. the happening of the event, if any, specified in the Articles;
3. the unanimous vote of the Members; or
4. the entry of a decree of judicial dissolution.

**12.2 Winding Up.** On the dissolution of the Company, the Members shall promptly commence the winding up of the Company’s business and affairs pursuant to and in accordance with the Act. All Company assets remaining after payment to creditors of the Company (including any Members who are creditors) shall be distributed to the Members in accordance with article VI.

ARTICLE XIII  
MISCELLANEOUS PROVISIONS

**13.1 Amendments.** This Operating Agreement may only be amended only as follows:

**13.1.1**Any amendment (other than in connection with the admission of an Admitted Member) that will (a) materially adversely affect (i) a Member’s right to receive distributions or the timing or amount of the distributions, (ii) the amount of Profits or Losses allocated to a Member, or (iii) the voting rights of a Member or (b) result in or create any additional liabilities or obligations regarding any Member must be approved, and this Operating Agreement may be amended only if approved by the Member that will be adversely affected.

**13.1.2**Any other amendment may be approved, and this Operating Agreement may be amended by the vote of the Members.

**13.2 Waiver of Breach.** The waiver of a breach of any provision of this Operating Agreement shall not operate as or be construed as a waiver of any subsequent breach. Each and every right, remedy, and power granted to any party by this Agreement or allowed it by law shall be cumulative and not exclusive of any other.

**13.3 Severability.** If any of the provisions of this Operating Agreement or its application to any party under any circumstances is adjudicated to be invalid or unenforceable, the invalidity or unenforceability shall not affect any other provision of this Operating Agreement or its application.

**13.4 Entire Operating Agreement.** The Articles and this Operating Agreement (the Organizational Documents) constitute the entire agreement among the parties pertaining to affairs of the Company and the conduct of its business. The Organizational Documents supersede and terminate any and all other previous or contemporaneous communications, representations, understandings, agreements, negotiations, and discussions, whether oral or written, between the parties pertaining to the affairs of the Company and the conduct of its business.

**13.5 Interpretation.** Where appropriate in this Operating Agreement, words used in the singular shall include the plural, and words used in the masculine include the masculine, feminine, and neuter.

**13.6 Assignment and Delegation.** The rights and obligations of the parties under this Operating Agreement may not be assigned or delegated.

**13.7 Notice.** All notices required to be sent pursuant to this Operating Agreement shall be personally delivered or mailed by certified or registered mail to the addresses of the Members indicated in the Company’s books. Notice of a Member’s change of address shall be mailed by certified mail to the Company’s registered office.

**13.8 Governing Law.** This Operating Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, notwithstanding that any party is or may later become domiciled in a different state or jurisdiction.

**13.9 Counterparts.** This Operating Agreement may be executed in duplicate original counterparts, and all copies of this Operating Agreement so executed shall be deemed to be one Operating Agreement.

**13.10 Securities Laws.** Each Member acknowledges and represents

1. that the Units have not been registered under the Securities Act of 1933, as amended, or under the securities acts of any state in reliance on applicable exemptions under those laws and may not be assigned or otherwise transferred without registration or an exemption, and
2. notwithstanding any provisions in this Operating Agreement, that no Units may be offered or sold and no transfer of any Units will be made either by the Company or the Members unless
   1. the Units are registered under the Securities Act of 1933 and any applicable state securities laws or
   2. an opinion of counsel for the Company is obtained to the effect that registration is not necessary.

**13.11 Conflicts of Interest.** THE MEMBERS ACKNOWLEDGE THAT THE COUNSEL WHO PREPARED THIS AGREEMENT IS LEGAL COUNSEL FOR THE COMPANY AND THAT THEY (A) HAVE BEEN ADVISED THAT THEY SHOULD SEEK THE ADVICE OF THEIR OWN INDEPENDENT COUNSEL, INCLUDING TAX COUNSEL, AND (B) HAVE HAD THE OPPORTUNITY TO SEEK THE ADVICE OF SUCH COUNSEL. THE MEMBERS WAIVE ANY AND ALL CLAIMS THEY MAY HAVE AGAINST LEGAL COUNSEL PREPARING THE AGREEMENT, INCLUDING ANY AND ALL CLAIMS OF ANY POSSIBLE CONFLICT OF INTEREST REGARDING THIS AGREEMENT OR ITS PREPARATION.

Signatures on following page.

The parties have signed this Operating Agreement, effective as of the date first written above.

|  |  |  |
| --- | --- | --- |
|  |  | **COMPANY:** **[Name of LLC]**, a Michigan limited liability company |
|  |  | **[Signature line]** Its: **[Title of authorized signer]** |
|  |  | **MEMBERS:** |
|  |  | **[Signature line]** **[Typed name of member]**  **[Signature line]** **[Typed name of member]**  **[Signature line]** **[Typed name of member]** |

|  |  |  |
| --- | --- | --- |
| SCHEDULE 3.1 | |  |
| *Member* | *Units* | *Percentage Interest* |

|  |  |
| --- | --- |
| SCHEDULE 3.2 | |
| *Member* | *Capital Contribution* |