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Instructions for Editing Operating Agreement

Caution: Do not use this form document unless you modify it for your specific situation. This document requires that you edit it before using it.

GENERAL INSTRUCTIONS & EDITING INSTRUCTIONS READ THESE INSTRUCTIONS BEFORE USING THIS FORM

1. You must read and edit the entire text of the form before presenting it to the members for signature. The document is in Word 2003 format. You may add to, edit or delete any text in the form, but we are not responsible for any change you make to the form.
2. **Styles & Automatic Paragraph Numbering:** The Operating Agreement uses styles and automatic paragraph numbering. If you delete or add a numbered paragraph, the numbered paragraphs after it will automatically renumber. To invoke the style for a specific automatic paragraph level number put your cursor where you want the style/text format to begin and do the following:

Desired Style	Simultaneous Key Strokes
Normal paragraph	ALT + N
Paragraph Level 1	ALT + 1
Paragraph Level 2	ALT + 2
Paragraph Level 3	ALT + 3

3. **Word Tables:** There are several places in this Operating Agreement where you will find a table with rows and columns. Here are some tips for working with a Word table:
 - A. To move to the next cell, press the TAB key. To move backwards one cell, press SHFT + TAB.
 - B. To add a new row, put your cursor in the last cell on the right in the last row then press TAB.
 - C. To delete a row, highlight the row then select Table on the main menu,

then select Delete then select Row.

4. **Important Instructions & Information:** Text that is **[inside brackets]** and in red is important. You must read and follow the instructions inside the brackets.
5. **Delete Text Inside Brackets:** DELETE THE BRACKETS AND ALL TEXT INSIDE THE BRACKETS BEFORE YOU PRINT THE FINAL DOCUMENT FOR SIGNING.
6. **Bracket Check:** Before you print the document, search for [then search for] to make sure you have deleted all brackets and all text inside the brackets. In Word, press F7 to search then type the symbol to be searched.
7. **Text You Must Edit:** Look for text throughout the document that is inside caret symbols that look like this: <name of borrower>. Every place you find text within the carets < > you must do the following:
 - A. replace the text inside the carets with the correct text
 - B. delete the beginning caret < and the end caret >
8. **Caret Check:** Before you print the document, search for < then search for > to make sure you have replaced all text inside the carets and deleted all caret symbols. In Word, press F7 to search then type the symbol to be searched.
9. **<Language Inside Caret Symbols>:** Throughout the form you will see language inside caret symbols such as <principal amount of note in numbers>. Every place you see text inside carets, you must replace the text with the text that is appropriate for your Operating Agreement and delete the caret symbols.
10. **Sample Operating Agreement:** Before you edit the Operating Agreement, refer to the sample Operating Agreement to see what a final Operating Agreement looks like.

Instructions for Editing Text

11. **Search & Replace:** To reduce the amount of time you spend editing this document, you should use the search and replace feature of your Word processor to search for text inside carets <text inside carets> and replace it with your desired text. For example, search for <name of LLC> and replace it with the actual name of your LLC (without the ending).
12. **<name of LLC>:** Replace <name of LLC> with the actual name of your LLC without the name ending.
13. **<LLC Name Ending>:** Replace <LLC Name Ending> with the actual name ending of your LLC. The LLC name must have one of the following "limited liability company" or "limited company" or the abbreviations "L.L.C.", "L.C.", "LLC" or "LC", in uppercase or lowercase letters. The name may not contain the words

"association", "corporation" or "incorporated" or an abbreviation of these words.

14. **Double Click to Insert Table of Contents:** **DO NOT DOUBLE CLICK HERE UNTIL YOU HAVE FINISHED EDITING THE AGREEMENT AND JUST BEFORE PRINTING.** When you double click on this area, Word will insert a table of contents. THIS SHOULD BE THE LAST THING YOU DO JUST BEFORE YOUR PRINT THE AGREEMENT.
15. **<name of 1st member>:** Replace <name of 1st member>, <name of 2nd member>, <name of 3rd member> and <name of 4th member> with the names of the members. If you have more than four members, you will have to add the names of the additional members after <name of 4th member> every where in the document where you find the text phrase <name of 4th member>. If your LLC has less than four members, delete the text and carets for the members you do not need.
16. **Tips on Names of Members:** You must edit the first paragraph and the signature block that starts after Section 9.13 Estoppel Certificate on page 9-6 at the end to name every person, entity or trust that is a member of the LLC. Internally in the Agreement you can refer to entities without the phrase that follows the name. For example, refer to World Wide Widgets, LLC, an Arizona limited liability company as World Wide Widgets, LLC. Consider the following examples of how to designate names of different types of members and managers in the first paragraph and in the signature block:

Person or Entity	How to Show Name in the Agreement
Person	Homer X. Simpson
limited liability company	World Wide Widgets, LLC, an Arizona limited liability company
Corporation	World Wide Widgets, Inc., an Arizona corporation
limited partnership	World Wide Widgets Limited Partnership, an Arizona limited partnership
general partnership	World Wide Widgets Partnership, an Arizona general partnership
Trust	Homer X. Simpson and Marge Bouvier Simpson, as Trustees of the Simpson Family Trust under Agreement dated January 1, 2008

17. **<date of Operating Agreement>:** Insert the effective date of the Operating Agreement.
18. **<name of 1st manager>:** Replace <name of 1st manager> and <name of 2nd

manager> with the name(s) of the managers of the LLC. If your LLC will have more than two managers, add the names of the additional managers every where in the Agreement after you find the <name of 2nd manager>. If your LLC where only have one manager, delete <name of 2nd manager> every where you find it.

Note About Management Types: Arizona LLCs are either member managed or manager managed depending on which form of management is specified in the Articles of Organization. A person with management power, including a 1% member, has the ability to sign contracts on behalf of the LLC and bind the LLC on legal obligations. A person or entity with management power is the equivalent of the president of a corporation. **Member Managed LLCs:** If your LLC is member managed, the members must decide if all members will be managers or if only some members will be managers. Name all members who you want to be a manager as a manager where ever you find the text <name of 1st manager>. **Manager Managed LLCs:** If your LLC is manager managed, the members must decide who will be the managers. A manager could be one member, some members or all members. A manager can also be a person or entity who is not a member. Name all managers who you want to be a manager as a manager where ever you find the text <name of 1st manager>.

19. **<known place of business address>:** Replace <known place of business address> with the LLC's known place of business set forth in its Articles of Organization.
20. **<have a perpetual existence> <terminate on _____, 2____>:** Replace <have a perpetual existence> <terminate on _____, 2____> with the text the is appropriate for your LLC. The Articles of Organization states that the LLC is perpetual or that it terminates on a specific date. The text here should correspond to the Articles of Organization.
21. **<name of statutory agent>, <address of statutory agent in Arizona>:** Replace <name of statutory agent>, <address of statutory agent in Arizona> with the name and address of the initial agent for service of process stated in the Articles of Organization.
22. **Section 2.1 Initial Capital Contributions:** Members of an Arizona LLC are not required to contribute any money or property to the LLC. If you want a member to be legally obligated to contribute money or property to an LLC, the member must sign a document that creates a legal obligation to contribute. The Operating Agreement is the document a member must sign if you want that member to be obligated to pay money to the LLC or contribute property to the LLC.

[Option 1A]: Use the sentence following this option if no member is required to contribute money to the company on formation. Delete Option 1B and the text that follows it.

[Option 1B]: Use the sentence and table following this option if any member is required to contribute money to the LLC on formation. Delete Option 1A and the sentence that follows it.

Completing the Table in Section 2.1: This is where you insert the name of every member, the amount of money that member is required to contribute to the LLC and the due date of the contribution. Every member must be listed in this table. If a member is not required to contribute any money, put \$0 in the Amount column and n/a in the Due Date column. Replace <name of 1st member> \$<1st member initial capital contribution amount> and \$<2nd member initial capital contribution due date> with the appropriate text. Add additional lines if the LLC have more than four members. Delete lines if the LLC does not have four members.

23. **Section 2.2 Additional Capital Contributions:** You have the option to delete all of the first paragraph except the first sentence, but we recommend that you leave it in because it is intended to counter the affects of an Arizona bankruptcy case called In re Ehmann.

[Option 2] If any member is required to make additional capital contributions, modify the table following Option 2 to reflect amounts and due dates. To complete the table, follow the data entry instructions in the section above entitled "Completing the Table in Section 2.1."

24. **Section 3.1 Percentage Interests:** Replace <1st member name> and <1st member ownership percentage>%> with the names of EVERY member and the percentage of the LLC owned by each member. Add lines for additional members if the LLC has more than four members. Delete unused text and lines if the LLC has less than four members.

25. **Section 3.2 Character of Ownership of Membership Interests:** **[Option 3]** Delete this entire section if all the members are entities or trusts. If any member is a person, then you must complete the table for each member to indicate how the member will own his or her interest in the LLC. Each member that is a person must decide how that member will hold title (own) his or her interest in the LLC and designate that form of ownership here.

Type of Ownership	Character of Ownership
Single man	a single man
Single woman	a single woman
Married man dealing with his separate property	a married man dealing with his sole and separate property
Married woman dealing with her separate property	a married woman dealing with her sole and separate property

Married couple owning their interest jointly as community property husband and wife, as community property

Married couple owning their interest jointly as community property with right of survivorship husband and wife, as community property with right of survivorship, not as tenants in common, not as joint tenants with right of survivorship

Two or more members owning their interests a joint tenants (put all members' names on the same line) as joint tenants with right of survivorship, not as tenants in common, not as community property with right of survivorship

Separate Property Warning: If any married member is to own his or her interest in the LLC as separate property, the married member's spouse must sign a Disclaimer (see the last page of the Operating Agreement) by which he or she acknowledges that the non-owner spouse does not have any interest in the LLC interest owned by the owner-spouse. Edit the Disclaimer as necessary to reflect the names of both spouses.

- 26. **Section 4.1 Managers:** Replace <name of 1st manager> and <name of 2nd manager> with the name(s) of the managers of the LLC. If your LLC will have more than two managers, add the names of the additional managers every where in the Agreement after you find the <name of 2nd manager>. If your LLC where only have one manager, delete <name of 2nd manager> every where you find it.
- 27. **Section 9.6 Notices:** Insert the names of each member and the mailing address to which notices for that member are to be mailed. Add more lines if your LLC has more than four members. Delete unused lines and text if your LLC has less than four members.
- 28. **Signature Lines & Signature Blocks for Entities and Trusts:** You must edit the signature lines and signature blocks so that there is one for **EVERY** member. The following table contains examples of the signature lines and blocks you need to insert at the end of Section *:

Person or Entity	How to Show Name in the Agreement
Person	_____ Homer X. Simpson
Limited liability company – manager managed	World Wide Widgets, LLC, an Arizona limited liability company By: _____ Homer X. Simpson, Manager
Limited liability	World Wide Widgets, LLC, an Arizona limited liability

company – member managed	company By: _____ Homer X. Simpson, Member
Limited liability company – if you don't know the management type or the name of the signer	World Wide Widgets, LLC, an Arizona limited liability company By: _____ Its: _____
Corporation	World Wide Widgets, Inc., an Arizona corporation By: _____ Homer X. Simpson, President
Corporation – if you don't know the title of the signer or who will sign	World Wide Widgets, Inc., an Arizona corporation By: _____ Its: _____
Limited partnership	World Wide Widgets Limited Partnership, an Arizona limited partnership By: _____ Homer X. Simpson, General Partner
General partnership	World Wide Widgets Partnership, an Arizona general partnership By: _____ Homer X. Simpson, General Partner
Trust	_____ Homer X. Simpson, as Trustee of the Simpson Family Trust under Agreement dated January 1, 2008

29. **Springing Member Signature & Address:** Section 6.3 contains a springing member provision that gives you the option to name a person as a "springing member." Arizona law provides that if an Arizona LLC has only people as members and the last living member dies, the LLC terminates. If an Arizona LLC has at least one entity or trust that is a member, it will not terminate if it lacks a person as a member or if the last member who is a person dies. Termination of the LLC could have serious adverse consequences, including, but not limited to, income taxes, to

the heirs of the deceased member. Generally, termination of an Arizona LLC that operates a business or that holds substantial assets is a bad thing that you should try to avoid.

The springing member has no involvement with the LLC unless and until the last member dies. Immediately before the death, the springing member becomes a temporary member of the LLC whose sole purpose is to prevent the termination of the LLC. The springing member serves as the sole member until the heir(s) of the deceased member become member(s) at which time the springing member ceases to be a member of the LLC. The springing member is not entitled to any profits or distributions from the LLC. The springing member cannot be a member of the LLC. Select a person you trust and have that person sign the Operating Agreement.

The springing member clause is optional. It will not have any affect unless the LLC names a springing member on the springing member signature block that follows the members signatures at the end of the Operating Agreement. If you want your LLC to have a springing member, you must name the springing member in the springing member signature block that follows the signature block for the members. Indicate the springing member's address and have the springing member sign the Operating Agreement.

30. **Disclaimer of Membership Interest:** At the end of the Operating Agreement you will find a Disclaimer of Membership Interest. Arizona is a community property state. Arizona law presumes that all property acquired during marriage is community property unless it is acquired by a spouse as a gift or from inheritance. Therefore, when one married spouse who is a resident of Arizona acquires an interest in an Arizona LLC, Arizona law presumes that both spouses own the interest as community property unless the married spouse acquired the interest in the LLC as a gift or through inheritance. **Warning:** If a spouse who resides in Arizona acquires an interest in an Arizona LLC other than by gift or inheritance and that spouse wants to own his or her interest in the LLC as separate property, the owner spouse must have the non-owner spouse sign the Disclaimer of Membership Interest. To use the Disclaimer of Membership Interest, copy the document and save it as a new file on your computer then edit it for the specific member who wants to own his or her interest as separate property. Delete the Exhibit A on the first line and type the names of the spouses where indicated on the document.

SIGNING INSTRUCTIONS

1. **Before Printing:** After you make all edits and changes, run your spell checker and correct any typos.
2. **Update the Table of Contents & Internal References: YOU MUST DO THIS IF YOU USE WORD:** The Operating Agreement uses internal references and an automatic table of contents. If you add or delete numbered Sections or paragraphs, the internal reference must be updated or they will not be correct. To update the internal references and the table of contents if you are using Word, do the following:

- A. Press CTRL + A at the same time. This will highlight the entire document.
- B. Press F9 to actually update the internal references and the table of contents.

If you edit the Operating Agreement in a word processor other than Word, you will have to manually update the table of contents and the internal references.

- 3. **Double Click to Insert Table of Contents:** Go back to page to the second page of the Operating Agreement where you see the text **Double Click to Insert Table of Contents and double click on it to insert the table of contents.** When you double click on this area, Word will insert a table of contents. **THIS SHOULD BE THE LAST THING YOU DO JUST BEFORE YOUR PRINT THE AGREEMENT.**
- 4. **Print the Document:** Print the document.
- 5. **Discard Informational Pages:** The actual form begins on the page following page labeled x at the bottom. The actual form begins on the 11th page. Discard the first three pages and do not use any of them because they are not part of the actual Operating Agreement.
- 6. **Copies of Signed Document:** Make at least one copy of the fully signed document for your records. .

**The Actual Form Begins on the Next Page
Do Not Use Any Text From Above**