

OPERATING AGREEMENT
DOOSTON GARDNERVILLE, LLC

This Operating Agreement (“Agreement”) is made and entered as of the last date appearing with the signatures below, (the “Agreement Date”) by and between the following Members, to wit: [REDACTED], LLC, a California limited liability company (hereinafter the “Managing Member”) and the persons and entities signing below (the “Initial Members”), collectively hereinafter (the “Members”).

RECITALS

The Managing Member has caused to be filed with the California Secretary of State on July 24, 2015, Articles of Organization (the “Articles”) for [REDACTED], LLC (the “Company”), a limited liability company under the laws of the State of California.

NOW, THEREFORE, the Managing Member and the Initial Members by this Agreement set forth the operating agreement for the Company upon the terms and subject to the conditions of this Agreement.

ARTICLE I
ORGANIZATIONAL MATTERS

1.1 Name. The name of the Company shall be “DOOSTON GARDNERVILLE, LLC”.

1.2 Term. The term of the Company commenced as of the date of the filing of the Articles and, unless sooner terminated under Section 7.1, shall terminate on December 31, 2020.

1.3 Office and Agent. The Company shall continuously maintain an office and registered agent in the State of California as required by the California Corporations Code. The principal office of the Company shall be at [REDACTED].

1.4 Business of the Company. The Company shall not engage in any business other than the following without the consent of all of the Members:

- (a) Development, construction, financing and sale of approximately seventy-two (72) single-family residences and home site lots in a subdivision called Kit Carson Village on Kimmerling Road in Gardnerville, NV (the “Project”);
- (b) Such other activities directly related to the foregoing business as may be necessary or advisable in the reasonable opinion of the Managing Member.

ARTICLES II
CAPITAL CONTRIBUTIONS

2.1 Capital Contributions.

- (a) Each Initial Member shall contribute to the Company, and by executing this Operating Agreement, hereby contributes to the Company cash in the sums set forth on Exhibit “A” hereto, and in return shall have a percentage interest in the Company in the percentage set forth herein.

(b) Except as provided in this Agreement, no Member may withdraw his or her capital contribution.

2.2 Capital Accounts. The Company shall establish an individual capital account (“Capital Account”) for each Member’s interest in each investment by the Company of that Member’s capital contribution. The Company shall determine and maintain each Capital Account to conform to the requirements of Section 704 (b) and (c) of the Internal Revenue Code and Treasury Regulations Section 1.704-1 (b) (2) (iv). Upon a valid transfer of a Member’s interest in the Company (“Membership Interest”), such Member’s Capital Account shall carry over to the new owner.

2.3 No Interest; No Preferred Return. The Company shall not pay any interest or preferred return on capital contributions.

2.4 Investment Income, Expenses, Distributions. Each Member’s Capital Account shall be credited or charged accordingly for the Member’s share of all income, expenses or distributions on the Company’s investment. The total capital contribution made by each Member in proportion to the total capital contributions for all Members shall determine what such Member’s percentage interest shall be and the share of the Company’s pre-tax profits which shall be allocated to such Member. Such percentages and shares shall be determined as follows: Pre-tax profits shall be divided 51% to the Initial Members and 49% to the Managing Members.

ARTICLE III MEMBERS

3.1 Admission of Additional Members. Additional Members may be admitted with the approval of the Managing Member. Each Additional Member shall execute this Operating Agreement and contribute to the Company cash in the sums as determined upon admission of the Additional Member and in return shall have a percentage interest in the Company as determined upon admission of the Additional Member. The Managing Member and the Initial Members shall share in the dilution of their percentage of Member Interests, if necessary in favor of the Additional Members in the proportion of 49% and 51%, pursuant to Section 2.4.

3.2 Withdrawals or Resignations. No Member may withdraw from the Company, except upon liquidation and distribution of all their investments in the Company.

3.2 Payments to Members.

(i) Except as specified in this Agreement, no Member or person or entity controlled by, controlling or under common control with the Member (each such person or entity is defined as an “Affiliate”), is entitled to remuneration for services rendered or goods provided to the Company.

(ii) At the close of escrow of each residential or commercial lot, profits of the Project will be calculated upon GAAP in accordance with the format attached hereto as Exhibit “B”. Each Member will be entitled to receive its share of distributable profits from each such close of escrow provided however that the Managing Member shall not be entitled to receive more than _____ per month from the Agreement Date until the Initial Members have been returned all of

their capital previously invested in the Company. As of the final distribution, profits will have been distributed in accordance Sections 2.4 and 3.1.

ARTICLES IV MANAGEMENT AND CONTROL OF THE COMPANY

4.1 Exclusive Management by Managing Member. Dooston Properties, LLC is hereby appointed the Managing Member of the Company (herein referred to as the “Managing Member”). The business and affairs of the Company shall be managed under the direction and control of the Managing Member, and all powers of the Company shall be exercised by or under the authority of the Managing Member. The Managing Member shall have full, exclusive, and complete discretion, power, and authority, subject in all cases to the other provisions of this Agreement and the requirements of applicable law, to manage, control, administer, and operate in the business and affairs of the Company for the purposes herein stated, and to make all decisions affecting such business and affairs, including, without limitation, the power to:

- (a) sell, dispose, or trade Company assets in the ordinary course of the Company’s business;
- (b) enter into agreements and contracts and to give receipts, releases and discharges;
- (c) purchase liability and other insurance to protect the Company’s assets and business;
- (d) execute any and all other instruments and documents which may be necessary or in the opinion of the Managing Member desirable to carry out the intent and purpose of this Agreement, including, but not limited to, documents whose operation and effect extend beyond the term of the Company;
- (e) make any and all expenditures which the Managing Member, in its sole discretion, deems necessary or appropriate in connection with the management of the affairs of the Company and the carrying out of its obligations and responsibilities under this Agreement, including, without limitation, expenditures for legal, accounting, and other related expenses incurred in connection with the organization, financing, investments and operation of the Company;
- (f) enter into any kind of activity necessary to, in connection with, or incidental to, the accomplishment of the purposes of the Company; and
- (g) invest and reinvest Company reserves in short-term instruments or money market funds.

4.2 Limitations on Power of Managing Member.

A. The Managing Member shall not have authority to resign as the Managing Member without first giving at least thirty (30) days prior written notice to each of the Members and obtaining the prior written approval of a majority of the Members affected by such action.

B. Notwithstanding anything to the contrary in this Agreement, without the approval of all the Members, the Managing Member shall not have the power and authority to take any of the following actions:

- (i) the confession of a judgment against the Company;
- (ii) any act which would make it impossible to carry on the ordinary business of the Company.

4.3 Performance of Duties; Liabilities of Managing Member. The Managing Member shall not be liable to the Company or to any Member for any loss or damage sustained by the Company or any

Member, unless the loss or damage shall have been the result of fraud, deceit, gross negligence, reckless or intentional misconduct, or a knowing violation of law by the Managing Member.

4.4 Devotion of Time. The Manger is not obligated to devote all of its time or business effort and skill to the operation of the Company, and may invest time, effort and money in other projects.

4.5 Payments to Managing Member.

(i) The Managing Member will receive a draw against anticipated profits in the amount of \$7,000 per month to be deducted from the Managing Member's profit allocation from next and each successive residential or commercial lot closing. Managing Member draws against anticipated profit will terminate at the earlier of, i) seven (7) months following the Agreement Date or ii) the close of escrow of the first lot.

(ii) The Managing Member will receive a payment equal to 3% of gross sales revenue for an Overhead allowance. Such Overhead allowance shall be used to pay for all expenses of the Company and the Managing Member during the period of construction and sale of the Project, including but not limited to field supervision, builder's insurance, licensing fees, travel, lodging, and all manner of Company related expenses incurred by the Managing Members. Should the actual expenses of the Company incurred by the Managing Member total more or less than the 3% Overhead allowance, the difference amount will be either paid by the Company or returned by the Managing Member to the Company as the case may be.

4.6 Member Meetings and Member Approval. No annual or regular meetings of the Members are required. However, if such meetings are held, such meetings shall be noticed, held and conducted pursuant to the California Corporations Code. In any instance in which the approval of the Members is required under this Agreement, such approval may be obtained in any manner permitted by the California Corporations Code. Unless otherwise provided in this Agreement, approval of the Members, or any subgroup thereof, shall mean the approval of a Majority in Interest of the Members.

4.7 Limitation on Authority of Members.

(i) No Member is an agent of the Company solely by virtue of being a Member, and no Member has authority to act for the Company solely by virtue of being a Member.

(ii) This Section 4.7 supersedes any authority granted to the Members pursuant to Section 17157 of the California Corporations Code. Any Member, except for the Managing Member, who takes any action or binds the Company in violation of this Section 4.7, shall be solely responsible for any loss and expense incurred by the Company as a result of the unauthorized action and shall indemnify and hold the Company harmless with respect to the loss or expense.

4.8 Removal of Managing Member. The Members shall have the right by majority vote to remove Dooston Properties, LLC as the Managing Member at any time with cause after the earlier of i) the thirteenth (13th) close of escrow for residential or commercial lots or ii) twelve (12) months following the Agreement Date, as follows:

(i) Cause for removal of Dooston Properties as the Managing Member shall be defined as the overall Project IRR for the Initial Members will be less than 20% annualized

based upon the application of the prior 12 months of Project performance (or fewer months if the thirteenth close of escrow will have occurred sooner) as applied to the remaining unsold residential and/or commercial lots within the Project.

(ii) Upon removal, Dooston Properties, LLC shall relinquish its authority under Section 4.1 and

(iii) shall retain its percentage of profits in unsold lots pursuant to Exhibit B, the "Schedule of Completion", attached hereto and made a part hereof. Upon removal of Dooston Properties, LLC as the Managing Member, the completion of each Activity and percentage of profit payable to Dooston Properties, LLC shown on Exhibit C shall be determined as a percentage by dividing the actual hard costs incurred to the date of removal (the numerator) by the total budgetary allowance for such hard costs (the denominator) and then multiplying the resulting quotient by the percentage of profit allocated to each Activity and then by summing the total of the resulting products for each complete or partially complete Activity.

(iv) The remaining Members will distribute to Dooston Properties, LLC its undistributed share of profits as of the removal date from the next and each succeeding close of escrow of the residential and or commercial lots within the Project.

ARTICLE V TRANSFER AND ASSIGNMENT OF INTERESTS

5.1 Transfer and Assignment of Interests. Any non-Managing Member may transfer all or any portion of his or her Membership Interest with the prior approval of the Managing Member, which approval may be given or withheld in the sole discretion of the Managing Member.

5.2 Admitting New Members and Substitution of Members. A new Member may be admitted to the Company, and a transferee of a Membership Interest shall have the right to become a Member only if (i) the required consent of the Managing Member is given, (ii) such person executes an instrument satisfactory to the Managing Member accepting and adopting the terms and provisions of this Agreement, and (iii) such person pays any reasonable expenses in connection with his or her admission as a new Member.

5.3 Rights of Transfer of a Membership Interest. A Transferee of a Membership Interest who is admitted as a Member shall have all the rights of his Transferor under this Agreement.

ARTICLE VI ACCOUNTING, RECORDS, REPORTING BY MEMBERS

6.1 Books and Records. The books and records of the Company shall be kept in accordance with the accounting methods followed for federal income tax purposes. The Company shall maintain at its principal office in California all of the following:

A. A current list of the full name and last known business or residence address of each Member, together with the capital contributions, capital account and Membership Interest of

each Member with respect to each Company investment in which such Member has participated;

B. A copy of the Articles and any and all amendments thereto, together with executed copies of any powers of attorney pursuant to which the Articles or any amendments thereto have been executed;

C. Copies of the Company's federal, state and local income tax or information returns and reports, if any, for the four (4) most recent taxable years; and

D. A copy of this Agreement and any and all amendments thereto, together with executed copies of any powers of attorney pursuant to which this Agreement or any amendments thereto have been executed;

E. Copies of the financial statements of the Company, if any, for the four (4) most recent fiscal years; and

F. The Company's books and records as they relate to the internal affairs of the Company for at least the current and past three (3) fiscal years.

6.2 Reports. The Company shall cause to be filed, in accordance with the California Corporations Code, all reports and documents required to be filed with any governmental agency. The Company shall cause to be prepared at least annually information concerning the Company's operations necessary for the completion of the Members' federal and state income tax returns. The Company shall send or cause to be sent to each Member within ninety (90) days after the end of each taxable year (i) such information as is necessary to complete the Members' federal and state income tax or information returns and (ii) a copy of the Company's federal, state, and local income tax or information returns for the year.

6.3 Bank Accounts. The Managing Member shall maintain the funds of the Company in one or more separate bank accounts in the name of the Company, and shall not permit the funds of the Company to be commingled in any fashion with the funds of any other person or entity.

6.4 Tax Matters for the Company. The Managing Member is designated as "Tax Matters Partner" (as defined in Code Section 6231), to represent the Company (at the Company's expense) in connection with all examination of the Company's affairs by tax authorities and to expend Company funds for professional services and costs associated therewith.

ARTICLE VII DISSOLUTION AND WINDING UP

7.1 Conditions of Dissolution. The Company shall dissolve upon the occurrence of any of the following events:

- (a) Upon the happening of any event of dissolution specified in the Articles;
- (b) Upon the entry of a decree of judicial dissolution pursuant to Section 17351 of the Corporations Code;
- (c) Termination of the Company pursuant to Section 1.2 of this Agreement; or
- (d) The sale of all or substantially all of the assets of the Company.

7.2 Winding Up. Upon the dissolution of the Company, the Company's assets as to which such dissolution applies shall be disposed of and its affairs wound up. The Company shall give written notice of the commencement of the dissolution to all of its known creditors.

7.3 Order of Payment of Liabilities Upon Dissolution. After determining that all the known debts and liabilities of the Company have been adequately provided for, the remaining assets shall be distributed to the Members who have participated in such investment assets in accordance with their positive capital account balances for such investments, after taking into account income and loss allocations with respect to such investments for the Company's taxable year during which liquidation occurs.

7.4 Limitations on Payments Made in Dissolution. Except as otherwise specifically provided in this Agreement, each Member shall be entitled to have resort only to the investment assets of the Company in which such Member has participated for the return of his or her positive Capital Account balance.

7.5 Certificates. The Company shall file with the California Secretary of state a Certificate of Dissolution upon the dissolution of the Company as to all of its assets and a Certificate of Cancellation upon the completion of the winding up of the Company's affairs.

ARTICLE VIII INDEMNIFICATION

8.1 Indemnification of Agents. The Company shall indemnify the Managing Member and any Member and may indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or proceeding by reason of the fact that he or she is or was a Member, officer, employee or other agent of the Company to the fullest extent permitted by applicable law in effect on the date hereof and to such greater extent as applicable law may hereafter from time to time permit.

ARTICLE IX MISCELLANEOUS

9.1 Complete Agreement. This Agreement and the Articles herein constitute the complete and exclusive statement of agreement among the Members with respect to the subject matter herein and replace and supersede all prior written and oral agreements among the Members. To the extent that any provision of the Articles conflict with any provision of this Agreement, the Articles shall control.

9.2 Binding Effect. Subject to the provisions of this Agreement relating to transferability, this Agreement will be binding upon and injure to the benefit of the initial and any future new Members, and their respective successors and assigns.

9.3 Interpretation. All pronouns shall be deemed to refer to the masculine, feminine. Or neuter, singular or plural, as the context in which they are used may require. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the interpretation of any provision of this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated. In the event any claim is made by any member relating to any conflict, omission or ambiguity in this

Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Member or his or her counsel.

9.4 Jurisdiction. Each Member hereby consents to the exclusive jurisdiction of the State and federal courts sitting in Nevada in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. Each Member further agrees that personal jurisdiction over him or her may be affected by service of process by registered or certified mail addressed as provided in Section 9.7 of this Agreement, and that when so made shall be as if served upon him or her personally.

9.5 Arbitration. Except as otherwise provided in this Agreement, any controversy between the parties arising out of this Agreement shall be submitted to the American Arbitration Association for arbitration in Nevada. The costs of the arbitration, including any American Arbitration Association administration fee, the arbitrator's fee, and costs for the use of facilities during the hearings, shall be borne equally by the parties to the arbitration. Reasonable attorneys' fees may be awarded to the prevailing or most prevailing party at the discretion of the arbitrator. The applicable provisions of the Nevada Rules of Civil Procedure apply to the arbitration. The arbitrator shall not have any power to alter, amend, modify or change any of the terms of this Agreement nor to grant any remedy which is either prohibited by the terms of this Agreement, or not available in a court of law.

9.6 Severability. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected thereby.

9.7 Notices. Any notice to be given or to be served upon the Company or any party hereto in connection with this Agreement must be in writing and will be deemed to have been given and received when delivered to the address specified by the party to receive the notice. Such notices will be given to a Member at the address specified below. Any party may, at any time by giving five (5) days' prior written notice to the other Members, designate any other address in substitution or the foregoing address to which such notice will be given.

9.8 Amendments. All amendments to this Agreement must be in writing and signed by all of the Members who have participated in a particular company investment before such Amendment shall be applicable to such investment.

9.9 Multiple Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

9.10 Reasonable Attorney Fees. In the event that any dispute between the Company and the Members or among the Members should result in litigation or arbitration, the prevailing party in such dispute shall be entitled to recover from the other party all reasonable fees, costs and expenses of enforcing any right of the prevailing party, including without limitation, reasonable attorneys' fees and expenses.

9.11 Remedies Cumulative. The remedies under this Agreement are cumulative and shall not exclude any other remedies to which any person may be lawfully entitled.

9.12 Investment Acknowledgment. THE LIMITED LIABILITY COMPANY INTERESTS CREATED UNDER THIS AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION. SUCH LIMITED LIABILITY COMPANY INTERESTS ARE BEING OFFERED AND SOLD UNDER THE EXEMPTION PROVIDED BY SECTION 4 (2) OF THE SECURITIES ACT AND/OR PURSUANT TO REGULATION D THEREUNDER.

A PURCHASER OF A LIMITED LIABILITY COMPANY INTEREST HEREUNDER SHOULD BE PREPARED TO BEAR THE ECONOMIC RISK OF THE INVESTMENT FOR AN INDEFINITE PERIOD OF TIME BECAUSE THE LIMITED LIABILITY COMPANY INTERESTS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR THE LAWS OF ANY OTHER JURISDICTION, AND, THEREFORE, CANNOT BE SOLD UNLESS THEY ARE SUBSEQUENTLY REGISTERED OR AN EXEMPTION FROM REGISTRATION IS AVAILABLE. THERE IS NO OBLIGATION OF THE ISSUER TO REGISTER THE LIMITED LIABILITY COMPANY INTERESTS UNDER THE SECURITIES ACT OR THE LAWS OF ANY OTHER JURISDICTION.

IN WITNESS WHEREOF, the following Members of [REDACTED], LLC, a California limited liability company, have executed this Agreement, effective as of the date written below.

MANAGING MEMBER:

INITIAL MEMBER:

[REDACTED], LLC
a California Limited Liability Company

_____, LLC
a Nevada Limited Liability Company

By: _____
(date)

By: _____
(date)

Its: _____

Its: _____

EXHIBIT A

Initial Members shall contribute cash in the approximate amount of \$716,000 as required periodically for fulfillment of the Business of the Company pursuant to Section 1.4. Membership Interests shall be determined in accordance with Section 2.4.

Initial Members:

_____, LLC
A Nevada Limited Liability Company

Example Only