

LIMITED LIABILITY COMPANY OPERATING AGREEMENT

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THIS OPERATING AGREEMENT is made as of _____, by and between LANDOWNER/TENANT, LLC, a California limited liability company ("LT") and DEVELOPER/MANAGER, LLC, a California limited liability company ("DM"), with reference to the following facts:

A. On _____, 1999, Articles of Organization for Sanfran Development Venture, LLC (the "Company"), a limited liability company organized under the laws of the State of California, were filed with the California Secretary of State.

B. MS and DM desire to adopt and approve an operating agreement to govern the business and affairs of the Company.

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

Article I: Definitions

When used in this Agreement, the following terms shall have the meanings set forth below (all terms used in this Agreement that are not defined in this Article I shall have the meanings set forth elsewhere in this Agreement):

1.1 "Act" shall mean the Beverly-Killea Limited Liability Company Act, codified in the California Corporations Code, Section 17000 et seq., as the same may be amended from time to time.

1.2 "Affiliate" shall mean any Person, directly or indirectly, through one or more intermediaries, that owns or controls or is under common ownership or control with a named Person. The term "own or control," as used in the immediately preceding sentence, shall mean the ownership of or the right to exercise voting rights attributable to, directly or indirectly, more than _____ percent (___%) of the interest in such Person.

1.3 "Agreement" shall mean this Operating Agreement, as originally executed and as amended from time to time.

1.4 "Articles" shall mean the Articles of Organization for the Company originally filed with the California Secretary of State and as amended from time to time.

1.5 "Assignee" shall mean the owner of an Economic Interest who has not been admitted as a substitute Member in accordance with Article VII.

1.6 "Bankruptcy" shall mean: (a) the filing of an application by a Member for, or its consent to, the appointment of a trustee, receiver, or custodian of its other assets; (b) the entry of an order for relief with respect to a Member in proceedings under the United States Bankruptcy Code, as amended or superseded from time to time; (c) the making by a Member of a general assignment for the benefit of creditors; (d) the entry of an order, judgment, or decree by any court of competent jurisdiction appointing a trustee, receiver, or custodian of the assets of a Member unless the proceedings and the person appointed are dismissed within ninety (90) days; (e) the failure by a Member generally to pay its debts as they become due within the meaning of Section 303(h)(1) of the United States Bankruptcy Code, as determined by the Bankruptcy Court; or (f) the admission by a Member in writing of its inability to pay its debts as they become due.

1.7 "Budget" shall mean the budget for Completion Costs attached hereto as Exhibit B.

1.8 "Capital Account" shall mean with respect to any Member the capital account which the Company establishes and maintains for such Member pursuant to Section 3.6.

1.9 "City" shall mean the City of _____.

1.10 "Capital Contribution" shall mean the total amount of cash and fair market value of property contributed or to be contributed to the Company by a Member.

1.11 "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, the provisions of succeeding law, and the Regulations to the extent applicable.

1.12 "Company" shall mean Sanfran Development Venture, a California limited liability company.

1.13 "Company Minimum Gain" shall have the meaning ascribed to the term "Company Minimum Gain" in Regulations Section 1.704-2(d).

1.14 "Completion Costs" shall have the meaning ascribed to it in Section 3.4.

1.15 "Construction Loan" shall have the meaning ascribed to it in Section 3.3.

1.16 "Corporations Code" shall mean the California Corporations Code, as amended from time to time, and the provisions of succeeding law.

1.17 "Removal Event" shall mean the death, insanity, withdrawal, resignation, retirement, expulsion, Bankruptcy or dissolution of a Member.

1.18 "Distributable Cash" shall mean the amount of cash received by the Company from

operating revenues or other sources, including the proceeds of the Term Financing, which the Manager deems available for distribution to the Members, taking into account all debts, liabilities, and obligations of the Company then due, and working capital and other amounts which the Manager deems necessary to place into reserves with respect to the Company's business.

1.19 "Economic Interest" shall mean the right to receive distributions of the Company's assets and allocations of income, gain, loss, deduction, credit and similar items from the Company pursuant to this Agreement and the Act, but shall not include any other rights of a Member, including, without limitation, the right to participate in the management of the Company, or except as provided in Section 17106 of the Act, any right to information concerning the business and affairs of the Company.

1.20 "Fiscal Year" shall mean the Company's fiscal year, which shall be the calendar year.

1.21 "Former Member" shall have the meaning ascribed to it in Section 8.1.

1.22 "Former Member's Interest" shall have the meaning ascribed to it in Section 8.1.

1.23 "Improvements" shall mean the _____ story office building to be constructed as described herein, containing a total of approximately _____ square feet of rentable area and a _____ story parking garage structure, as described in the Plans and Specifications.

1.24 "Land" shall mean the approximately ____ acres of land located in the City of _____, County of _____, California, more particularly described in Exhibit C attached hereto, together with all rights, appurtenances, easements, rights-of-way and other interests appurtenant to such land.

1.25 "Manager" shall mean DM or any other Person that succeeds it as a manager of the Company pursuant to this Agreement.

1.26 "Member" shall mean each Person who (a) is an initial signatory to this Agreement, has been admitted to the Company as a Member in accordance with the Articles or this Agreement, or is an Assignee who has become a Member in accordance with Article VII, and (b) has not become the subject of a Removal Event or ceased to be a Member in accordance with Article VIII or for any other reason.

1.27 "Member Nonrecourse Debt" shall have the meaning ascribed to the term "Member Nonrecourse Debt" in Regulations Section 1.704-2(b)(4).

1.28 "Member Nonrecourse Deductions" shall mean items of Company loss, deduction, or Code Section 705(a)(2)(B) expenditures which are attributable to Member Nonrecourse Debt.

1.29 "Membership Interest" shall mean a Member's entire interest in the Company including the Member's Economic Interest, the right to participate in the management, and the right to receive information concerning the business and affairs of the Company.

1.30 "Net Profits" and "Net Losses" shall mean the income, gain, loss and deductions of the Company in the aggregate or separately stated, as appropriate, determined in accordance with the method of accounting at the close of each Fiscal Year on the Company's information tax return filed for federal income tax purposes.

1.31 "Nonrecourse Liability" shall have the meaning set forth in Regulations Section 1.752-1(a)(2).

1.32 "Percentage Interest" shall mean the percentage of a Member set forth opposite the name of such Member under the column "Member's Percentage Interest" in Exhibit A hereto, as such percentage may be adjusted from time to time pursuant to the terms of this Agreement.

1.33 "Person" shall mean an individual, partnership, limited partnership, limited liability company, corporation, trust, estate, association or any other entity.

1.34 "Plans and Specifications" shall mean the plans and specifications identified on Exhibit D attached hereto.

1.35 "Project" shall mean the development, construction and initial leasing of the Improvements.

1.36 "Project Completion" shall have the meaning ascribed to it in Section 3.4.

1.37 "Property" shall mean the Land, the Improvements and all other personal property and other assets owned by the Company or in which the Company has an interest, collectively.

1.38 "Regulations" shall mean the regulations in force as final or temporary that have been issued by the U.S. Department of Treasury pursuant to its authority under the Code, and any successor regulations.

1.39 "Remaining Members" shall have the meaning ascribed to it in Section 8.1.

1.40 "Super-Majority Interest" shall mean those Members who hold at least seventy-five percent (75%) of the Percentage Interests which all Members hold.

1.41 "Tax Matters Member" shall mean the "Tax Matters Partner" as defined in Code Section 6231, and shall be DM or its successor as designated pursuant to Section 9.8.

1.42 "Term Financing" shall mean the financing secured by the Project after the Completion Date that is intended to refinance the Construction Loan.

Article II: Organizational Matters

2.1 Formation. The Members have formed a California limited liability company under the laws of the State of California by filing the Articles with the California Secretary of State and entering into this Agreement. [This Agreement shall be deemed effective as of the date the Articles were filed]. The rights and liabilities of the Members shall be determined pursuant to the Act and this Agreement. To the extent that the rights or obligations of any Member are different by reason of any provision of this Agreement than they would be in the absence of such provision, this Agreement shall, to the extent not prohibited by the Act, control.

2.2 Name. The name of the Company shall be " Sanfran Development Venture, LLC." The business of the Company may be conducted under that name or, upon compliance with applicable laws, any other name that the Manager deems appropriate or advisable. The Manager shall file any fictitious name certificates and similar filings, and any amendments thereto, that the Manager considers appropriate or advisable.

2.3 Term. The term of this Agreement commenced on [the filing of the Articles] and shall continue in existence until it terminates in accordance with the provisions of this Agreement or the Act.

2.4 Office and Agent. The Company shall continuously maintain an office and registered agent in the State of California. The principal office of the Company shall be c/o _____, or as the Manager may determine. The registered agent shall be as stated in the Articles or as otherwise determined by the Manager.

2.5 Addresses of the Members. The respective addresses of the Members are set forth on Exhibit A. A Member may change its address upon notice thereof to the other Member(s).

2.6 Purpose and Business of the Company. Notwithstanding the purpose of the Company set forth in the Articles, the sole purposes of the Company are: (i) to acquire the Land and construct thereon the Improvements; (ii) to own, develop, lease, operate and manage the Property as an investment for the production of income as an office building; (iii) to lease, encumber, exchange, sell or otherwise transfer or dispose of the Property or any part thereof or interest therein, when and to the extent permitted by this Agreement; (iv) to borrow money for the operation of the Company's business, whether unsecured or secured by the Property; and (v) to engage in such other activities directly related to the foregoing purposes as may be considered necessary or advisable in the opinion of the Manager.

Article III: Capital Contributions and Completion Obligations

3.1 Initial Capital Contributions.

(a) DM Initial Contribution. Contemporaneously with or promptly following the