



**FIRST AMENDED AND RESTATED
OPERATING AGREEMENT
OF
<OPEN AND AFFORDABLE DENTAL SOMEWHERE, PLLC>
version <VERSION DATE>**

This First Amended and Restated Operating Agreement (“Agreement”) of <Open and Affordable Dental Somewhere, PLLC>, a Colorado professional limited liability company (“Company”), is entered into and shall be effective as of <Effective Date> (“Effective Date”), by and among <Partner 1 PLLC>, a Colorado professional limited liability company taxed as an S corporation (“<Partner 1 PLLC>”) individually called “Member”. <Partner 1> (“<Partner 1>”) is the sole member of <Partner 1 PLLC>, (<Partner 1> individually called “Owner”). In each instance where this Agreement requires a Member to take or refrain from taking individual actions or perform individual services, the actions or services required shall be performed by <Partner 1> as “Owner”. Similarly, all references to death or disability or Events of Expulsion as defined in this Agreement shall mean the death, disability or actions of <Partner 1>.

ARTICLE 1
FORMATION OF BUSINESS

1.01 **Organization.** The Company was formed on <Formation Date> as a Colorado professional limited liability company pursuant to the laws of the State of Colorado.

1.02 **Agreement, Effect of Inconsistencies.** It is the express intention of the Members that this Agreement shall be the sole source of agreement of the parties with respect to the operation of the Company, that this Agreement replaces all prior agreements and, except to the extent a provision of the Agreement is expressly prohibited or ineffective under the Colorado Limited Liability Company Act (“Act”) and any amendments thereto, the Agreement shall govern, even when inconsistent with, or different than, the provisions of the Act, or any other law or rule. To the extent any provision of the Agreement is prohibited or ineffective under the Act, the Agreement shall be considered amended to the smallest degree possible in order to make the agreement effective under the Act. In the event the Act is subsequently amended or interpreted in such a way to make any provision of the Agreement that was formerly invalid valid, such provision shall be considered to be valid from the effective date of such interpretation

or amendment. The Members agree that each Member shall be entitled to rely on the provisions of this Agreement, and no Member shall be liable to the Company or to any Member for any action or refusal to act taken in good faith reliance on the terms of this Agreement. The Members and the Company agree that the duties and obligations imposed on the Members of the Company as such shall be those set forth in this Agreement, which is intended to govern the relationship among the Company, the Members, notwithstanding any provision of the Act or common law to the contrary.

1.03 **Name**. The name of the Company is <**Open and Affordable Dental Somewhere, PLLC**>, which is a Colorado professional limited liability company, and all business of the Company shall be conducted under that name or under any other name approved by the Members, but in any case, only to the extent permitted by applicable law.

1.04 **Effective Date**. This Agreement shall become effective on the Effective Date.

1.05 **Principal Office**. The principal office of the Company shall initially be located at <Address>. The Company may have such other offices as the Members may approve from time to time.

ARTICLE 2 **PURPOSE OF COMPANY**

2.01 **Purpose**. The Members organize this Company for the purpose of carrying on the practice of dentistry (“Practice”) pursuant to the laws of the State of Colorado and pursuant to the terms of this Agreement. An additional purpose of this Company is to share in the use of the premises, equipment, furniture and fixtures of the Practice and to share the income generated and operating expenses incurred by the Practice between the Members as set forth herein.

ARTICLE 3 **TERM OF COMPANY**

3.01 **Term**. This Agreement shall commence on the Effective Date, and the Company shall continue in existence until terminated pursuant to the terms of this Agreement. This Agreement is entered into contemporaneous with the closing of the Assignment Agreement.

ARTICLE 4 **ACCOUNTING AND RECORDS**

4.01 **Fiscal Year**. The fiscal year of the Company shall be the calendar year.

4.02 **Company Books**. The Company shall keep its books in the manner as advised by its accountant and shall report its income and file its tax return on a cash basis. The books shall

readily disclose items that the Members shall take into account separately for income tax purposes. The Company books, which shall include this Agreement and all related documents, tax returns and other related documents, shall be kept at the principal place of business of the Company and each Member shall, at all times, have access to and may inspect and/or copy said books. The books shall be closed and shall balance at the end of each calendar year.

ARTICLE 5
MEMBERS/MEMBERSHIP INTERESTS & MANAGEMENT

5.01 **Members.** The name, address and ownership interest (“Membership Interest”) of each Member is as follows:

Name:	<Partner 1 PLLC>
Business Address:	<Partner 1 PLLC Address>
Membership Interest:	One Hundred Percent (100%)
Owner:	<Partner 1>

5.02 **Owners.** In each instance that this Agreement requires a Member to take or refrain from taking individual actions or perform individual services, the actions or services required shall be performed by the Owners. Similarly, all references to death, disability, expulsion, retirement, withdraw, or divorce of a Member shall apply to the Owners.

5.03 **Restrictions on Members.** Each Member, in order to be and remain a Member, shall maintain in good standing and shall engage in the practice of dentistry only through those individuals who have a professional license to practice dentistry in the State of Colorado. Each Owner shall maintain his or her license to practice dentistry in Colorado. Each Member and Owner shall at all times comply fully with all of the provisions of the canons of professional ethics as adopted by the American Dental Association and by the Colorado Dental Association and shall practice dentistry in full compliance with all statutes, rules, and regulations.

5.04 **Indemnification.** The Company shall indemnify the Members and Owners for all costs, losses, liabilities, and damages paid or accrued by such Member or Owner in connection with the business of the Company, to the fullest extent provided or allowed by the laws of Colorado.

5.05 **Representations and Warranties.** Each Member represents and warrants to the Company and each other Member that: (a) each such Member and the Owner of such Member is in good standing and is authorized to practice dentistry in Colorado; (b) that each such Member is acquiring its interest in the Company for the Member’s own account as an investment and without an intent to distribute the interest; and (c) such Member acknowledges that the interests have not been registered under the Securities Act of 1933 or any state securities laws, and may

not be resold or transferred by such Member without appropriate registration or the availability of an exemption from such requirements.

5.06 **Management Rights/Voting.** The management of the Company is vested in its Managers. The business and affairs of the Company shall be managed by the Managers. Except as otherwise provided in this Agreement, all decisions shall be made only by the unanimous consent of the Managers. The Managers shall be <Partner 1>..

5.07 **Day to Day Decisions.** Notwithstanding paragraph 5.06 above, each of the Members is authorized to take the following actions and make the following decisions to the extent that such actions and decisions are necessary to permit that Member to carry on the routine, day-to-day practice of dentistry for the Company; (a) accept patients on behalf of the Company and agree to undertake specific matters for any Company patient, provided that the Member accepting such patient is responsible for assuring that the dentistry to be performed upon that patient is consistent with the type of treatment normally performed by that Member; (b) authorize the Company to incur incidental expenses necessary to the treatment of a patient; and (c) take any other reasonable and necessary action and make any other reasonable and necessary decision that is clearly routine and incidental to the day-to-day operations of the Company practice.

5.08 **Conflicts of Interest; Right to Engage in Other Business.**

(a) No Member or Owner shall engage in the practice of dentistry, in any capacity, whether in competition with the Company or not, or become associated with affiliated with or financially interested in any other dental practice, whether in competition with the Company or not, without the written consent of the other Member. It is also understood that <Partner 1> shall have the option to open additional practices, which shall not be considered a conflict of interest, provided that the additional practices are located outside of the territory of the Company's principal office noted in **Exhibit 11.09** and are branded under the Open and Affordable Dental and Braces name, or some variation thereof, and pursuant to a valid Royalty Agreement with Open and Affordable Dental LLC ("Master LLC").

(b) A Member does not violate a duty or obligation to the Company merely because the Member's conduct furthers the Member's own interest; nothing contained herein shall prohibit the activity of any Member in investing or trading in securities, bonds or commodities or other forms of passive investment including owning the real estate where the practice is located, for his own benefit or engaging in any other business or occupation not involving the practice of dentistry. A Member may lend money to and transact other business with the Company. The rights and obligations of a Member who lends money to or transacts business with the Company are the same as those of a person who is not a Member, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member has a direct or indirect

interest in the transaction if either the transaction is fair to the Company or the other Member in either case knowing the material facts of the transaction and the Member's interest, authorize, approve, or ratify the transaction.

(c) The Company has previously entered into a royalty agreement ("Royalty Agreement") with Master LLC. The Royalty Agreement contains provisions requiring that Company maintain operating hours of 7:30 AM to 7:30 PM, Monday through Saturday (unless, due to unavoidable and unpredicted circumstances, Company is unable to be open or if the Managers agree to modify the hours); to run all marketing through Master LLC; to never change the name of Company, regardless of ownership changes; and to pay 3% of all its collections to Master LLC.

ARTICLE 6

CONTRIBUTIONS AND CAPITAL ACCOUNTS

6.01 **Initial Contributions.** Each Member has made initial capital contributions ("Capital Contributions") to the Company as defined in **Exhibit 6.01**, attached and made part of this Agreement. No interest shall accrue on any Capital Contribution and no Member shall have the right to withdraw or be repaid any Capital Contribution except as provided in the Agreement. The contributions made by each Member are encumbered by the debt and liens defined in **Exhibit 11.08**.

6.02 **Additional Contributions.** In addition to the initial Capital Contributions, the Members may determine from time to time that additional contributions are needed to enable the Company to conduct its business. Each Member shall be required to contribute a proportionate share of such additional contribution if the Members unanimously agree that additional contributions are necessary. In the event either Member does not make the required additional contribution ("Defaulting Member"), the other Member shall be given the opportunity to make the contributions as provided in paragraph 6.03 below. Nothing contained in this Section 6.02 is or shall be deemed to be for the benefit of any person other than the Members and the Company and no third person shall under any circumstances, have any right to compel any actions or payments by the Members.

6.03 **Enforcement of Commitments.** In the event any Member fails to pay the additional contribution required by the Defaulting Member, the non-defaulting Member shall give the Defaulting Member written notice of default. If the Defaulting Member fails to perform within ten (10) business days of the giving of notice, the non-defaulting Member may take such action, including but not limited to an action in the court of appropriate jurisdiction. The non-defaulting Member may contribute the amount of the Defaulting Member's additional contribution. The non-defaulting Member shall be entitled to treat the amounts contributed pursuant to this section as a loan bearing interest at the prime interest rate as quoted by the Wall

Street Journal plus three (3) percent and shall be secured by the Defaulting Member's interest in the Company. Until fully repaid, the non-defaulting Member shall be entitled to all distributions of Net Profit and Cash Flow to which the Defaulting Member would have been entitled. If the non-defaulting Member has not been fully repaid within six (6) months from the date of his contributions, the contributions made by the non-defaulting Member shall be considered as additional contributions and the Defaulting Member's Membership Interest shall be reduced accordingly. Notwithstanding the foregoing, no obligation to make an additional contribution may be enforced by a creditor of the Company or any other person other than the Company unless the Member expressly consents to such enforcement or to the assignment of the obligation to such creditor.

6.04 Maintenance of Capital Accounts. The Company shall establish and maintain capital accounts ("Capital Accounts") for each Member. Each Member's Capital Account shall be increased by (1) the amount of any money actually contributed by the Member to the capital of the Company, (2) the fair market value of any Property contributed, as determined by the Company and the contributing Member at arm's length at the time of contribution (net of liabilities assumed by the Company or subject to which the Company takes such Property, within the meaning of Section 752 of the Internal Revenue Code of 1986 as amended from time to time ("Code"), and (3) the Member's share of net profits and of any separately allocated items of income or gain except adjustments of the Code (including any gain and income from unrealized income with respect to accounts receivable allocated to the Member to reflect the difference between the book value and tax basis of assets contributed by the Member). Each Member's Capital Account shall be decreased by (1) the amount of any Money distributed to the Member by the Company, (2) the fair market value of any Property distributed to the Member, as determined by the Company and the contributing Member at arm's length at the time of contribution (net of liabilities of the Company assumed by the Member or subject to which the Member takes such Property within the meaning of Section 752 of the Code), and (3) the Member's share of net losses and of any separately allocated items of deduction or loss (including any loss or deduction allocated to the Member to reflect the difference between the book value and tax basis of assets contributed by the Member).

6.05 Compliance with Section 704(b) of the Code. The provisions of this Article as they relate to the maintenance of Capital Accounts are intended, and shall be construed, and, if necessary, modified to cause the allocations of profits, losses, income, gain and credit pursuant to this Agreement to have substantial economic effect under the Regulations promulgated under Section 704(b) of the Code, in light of the distributions made pursuant to this Agreement and the Capital Contributions made pursuant to this Agreement. The Company shall establish and maintain separate capital accounts for each Member in accordance with Treasury Regulation 1.704-1(b). Any questions concerning a Member's capital account shall be resolved by applying

principles consistent with this Agreement and the regulations promulgated under Section 704 of the Internal Revenue Code as amended.

ARTICLE 7

MEMBER'S SHARE OF INCOME & EXPENSES/PROFIT & LOSS

7.01 **Monthly Draw**. From time to time during this Agreement, upon unanimous consent, the Members shall determine what, if any, monthly draw ("Monthly Draw") will be paid by the Company to each Member. The Members agree that the initial Monthly Draw paid by the Company to each Owner shall be as designated in **Exhibit 7.01** attached and made part of this Agreement.

7.02 **Member's Share of Income and Expenses**. A Member's share of the Company's income and expenses shall be as defined and determined pursuant to this Article and **Exhibit 7.01**. The Members shall determine by unanimous consent the frequency of the distribution of the Company profits.

7.03 **Company Operating Reserve**. The Members agree to maintain a reasonable operating reserve ("Reserve"), as defined in **Exhibit 7.01**, on a monthly basis to pay for Company operating expenses. This Reserve shall be subtracted from each Member's profit distributions as defined in **Exhibit 7.01** as necessary to maintain the Reserve at the mutually agreed upon level.

7.04 **Internal Revenue Code Section 754**. For the purpose of computing the taxable income or loss of the Company and the distributive share of each Member, depreciation, amortization or gain or loss with respect to the Company assets shall be shared between the Members so as to take into account each Member's different tax basis in the Company's assets. Company and all Members shall execute all necessary documents and take whatever actions necessary to accomplish said election.

7.05 **Internal Revenue Code Section 704(c) Allocation**. In accordance with Code Section 704(c) and the regulations thereunder, income, gain, loss and deduction with respect to any property contributed to the Company 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 fair market value at the date of contribution. To the extent that Code Section 704(c) applies to the property contributed to the Company by any Member, any item of income, gain, loss and deduction with respect to the property that has been contributed by a Member shall be allocated to such Member for income tax purposes pursuant to Code Section 704(c).

ARTICLE 8

COMPANY OPERATIONS

8.01 **Use of Facility.** Each Member shall be guaranteed the non-exclusive and joint use of the Company offices during all available working hours as agreed upon by the Managers. Each Member shall be entitled to set his own work schedule but each Member agrees that some compromises in the schedule may be necessary for the benefit of the Company.

8.02 **Staff.** The Company shall make available adequate support staff for each of the Members so that each Member may perform services in a professional and competent manner. No Member shall hire or agree to hire any person or discharge any person without the consent of the other Member. The Managers shall make the ultimate decision regarding staff.

8.03 **Procedures.** The Company business telephone shall be answered with the Company name. Employees of the Company shall appropriately and honestly answer questions with respect to each Member's experience and specialty from current and prospective patients.

8.04 **Weekend Emergency Calls.** The Managers agree to set a policy for coverage of emergency calls.

8.05 **Professional Fees and Payment for Services Rendered.** Each Member shall charge reasonably for all professional services rendered by that Member, following the fee policy of the Company. Each Member may treat his immediate family (biological or legally adoptive parents, legal spouse, and biological or legally adopted children) without charge to that Member, provided the Member or patient pays for all lab costs and supplies associated with the professional services rendered. The Members agree that no services shall be performed for any other patients unless the patient agrees to pay for such services by cash, check, or credit card at the time the service is performed, or agrees to pay on an installment basis as determined by the treating dentist, unless otherwise agreed upon by the Members.

8.06 **Company Checking Account.** The Company shall maintain a single Company checking account. All collections attributed to professional services rendered by the Members and Company in general shall be deposited in the checking account on a daily basis. All Company expenses and distributions shall be paid from said account. This account shall be reconciled monthly and each Member provided a list of all income and expenses. Each Member shall be a signatory on the Company checking account and any one signatory shall be able to sign checks on behalf of the Company. However, any check in excess of Ten Thousand Dollars (\$10,000.00) shall require the signature of all Members.

8.07 **Management.** Each Manager shall have identical and equal rights relative to management and control of Company business.

8.08 **Allocation of Patients.** Unless a patient specifically requests one of the Owners by name, the Company and Members agree to allocate the treatment of existing and new patients between the Members on a first open book basis.

All patients shall remain with the same doctor throughout their initial complete treatment plan, unless scheduling difficulties require the patient to see another doctor. If a patient requests to be seen by a different doctor, this request will be honored. If scheduling difficulties require change of doctors, the patient must be informed and consent to the treatment.

All patients in treatment should remain with the same doctor, but should be steered toward appointment times that are most beneficial to the practice (i.e. the normal slow periods of the day). All patients will first be offered the opportunity to see their original dentist and then will be offered to be seen at the earliest convenient time for the patient.

Patients can be directed to a non-original doctor for two reasons, (1) scheduling (patient request to be seen on a certain day when doctor is not available, or walks in requesting to be seen that day when original doctor is not scheduled) or (2) when the patient requests a different doctor.

Once the initial complete treatment plan is complete the patient will be directed to the original doctor, but if scheduled with a non-original doctor, any new treatment will be allocated to the non-original doctor at 100%. (Even if the original treatment plan was completed yesterday). If a new treatment plan is created, the new doctor becomes the owner of that treatment plan and patient.

The on-phone narrative will be similar to the following: "I see that you're a patient of Dr. _____, they will be in on Friday. Does that work for you?" If the patient requests a date other than when the original doctor is scheduled, the patient's appointment request will be honored, with the intent of scheduling the patient with the original doctor if at all possible. This includes asking to be seen at an earlier date.

If the patient requests a specific date, that request will be honored, even if it cannot be scheduled with the original doctor. A note by the front/middle office will be noted on the appointment with the following: "Patient requests to be seen on this date and understands will be seen by a different doctor."

During the initial complete treatment plan, patients not being seen by the original doctor should be redirected to their original doctor. Pain and emergency treatments will be allotted to the attending doctor at 100%. Treatment performed on a patient in their initial complete treatment plan not by the original doctor that is on the treatment plan will be allotted to the non-original doctor at 100%, although the parties intend to have patients seen by the original treating doctor. Any emergency treatment should be designated as such in the clinical chart. No

additional treatment should be done on the patient by anyone other than the original doctor, including: (1) RCT/BU/CRN when a pulpotomy can be performed and referred back to original doctor; (2) 4 extractions when only 1 is indicated for the emergency; and (3) two fillings when only one is indicated for the emergency.

8.09 **Expenditure Reimbursement.** The Members from time to time may pay Company obligations from their individual funds. No such payments shall bear interest or change the net profit and net loss ratios of the Members. The Company shall promptly reimburse the Members for all such reasonable out-of-pocket expenditures.

8.10 **Patient Records.** Each Member shall keep and maintain or cause to be kept and maintained appropriate records, including patient care records and patient histories relating to all professional services rendered by each Member, all records being the property of Company.

ARTICLE 9 **DUTIES OF MEMBERS**

9.01 **Confidentiality.** Each Member shall maintain the confidentiality of all financial, business, and professional matter of the Company and the individual Members and, also, the financial and clinical content of all patient records of the Company except for the following items which will be shared with Company staff on a regular basis: production, collections, expenses, overhead, profit, new patients, number of hygiene appointments, hygiene hours, hygiene utilization, hygiene re-appointments, no-shows, and total number of appointments.

9.02 **Ability to Practice.** Each Member shall disclose to the Company of contracting, or being seriously exposed to, any communicable disease that could materially affect a Member's ability to practice dentistry.

9.03 **Licensing.** Each Member shall remain in good standing and shall be licensed to practice dentistry in Colorado and shall remain in good standing with the Colorado State Board of Dental Examiners and abide by all rules of professional conduct applicable to the practice of dentistry. Each Member shall disclose to the other Member all actions by any state licensing authority, previously taken or currently pending, against a Member's ability to practice dentistry.

9.04 **Substance Abuse.** Each Member shall disclose to the other Member any problems with respect to substance abuse and/or chemical dependency involving drugs or alcohol for which the Member is receiving treatment or is considering seeking treatment during the term of this Agreement.

9.05 **Compliance with the Colorado Dental Practice Act.** No Member shall violate the standards of professional conduct as provided for in the Colorado Dental Practice Act, as

may be amended from time to time, or any other laws, rules and regulations applicable to the practice of dentistry in Colorado.

9.06 **Duty to Supply Information.** Each Member shall render true and complete information in response to reasonable inquiry from the other Member with respect to matters considered relevant to the operation of the Company, including those that may adversely affect the Company.

9.07 **Devotion to Company/Time Off.** Each Member shall devote his best efforts to professionally serving the Company. Whenever a Member desires to take time-off from the Company practice, whether for personal or professional reasons, that Member shall notify the other Member in advance and further, shall schedule the time-off only when it does not unreasonably interfere with the business of the Company. If any Member suffers a disability or is temporarily called into military service and is unable to practice dentistry or work in the practice on a continuous, full-time basis (based on the Member's usual schedule) for more than three (3) consecutive weeks or desires to take more than three (3) consecutive weeks away from the Company for personal or professional reasons, the Member who desires to take the time-off shall notify the other Member in advance of scheduling the time-off. If the Members determine that a substitute dentist ("Substitute Dentist") is necessary during the period that a Member shall be absent from the Company, the Company shall hire and schedule a Substitute Dentist to work in the practice while the Member is absent. The Substitute Dentist shall be deemed an employee or independent contractor of the Company. All production and collections generated by the Substitute Dentist shall be allocated to the Member who is absent from the Company in the same manner as if that Member generated the production. The absent Member shall be responsible for all compensation paid to the Substitute Dentist and all other costs and expenses relating to the Substitute Dentist, including any legal and accounting fees. It is the intention of the Members to reasonably cooperate to permit a Member to take requested time-off as long as it does not unreasonably interfere with the Practice.

9.08 **General and Professional Liability.** Each Member shall acquire and maintain professional liability insurance coverage in coverage amounts agreed upon by all the Members. Each Member shall be liable to the Company and its Members to the extent that professional liability is finally imposed against the Company or such Member by any court of competent jurisdiction or pursuant to a binding arbitration process which the Company either is or becomes subject to, in favor of a third party. The Company shall obtain and maintain in the name of the Company, general liability insurance in a commercially reasonable amount.

ARTICLE 10

RESTRICTIONS ON TRANSFER

The Members and the Company recognize that it is in their mutual best interest to restrict the transferability of a Member's Membership Interest and to provide for the orderly transfer of ownership upon the happening of certain events. No Member shall sell, assign, gift, transfer, pledge, grant a security interest in or otherwise dispose of his Membership Interest except as specifically provided in this Agreement. Any purported voluntary or involuntary sale or other disposition of a Member Interest in violation of this Agreement shall not be effective against the Company and the remaining Members and Owners and the Company shall not recognize such transfer for any purpose.

ARTICLE 11

TRIGGERING EVENTS AND DEFINITIONS

If one of the following events occurs, the parties agree to abide by the terms of this Agreement. The occurrence of any of the following events shall be considered a "Triggering Event":

TRIGGERING EVENTS

- 11.01 **Death of a Member.**
- 11.02 **Disability of a Member.**
- 11.03 **Reserved.**
- 11.04 **Voluntary Withdrawal of a Member.**
- 11.05 **Expulsion of a Member.**

DEFINITIONS

11.06 **Membership Interest.** For purposes of this Agreement, a Member's "Membership Interest" includes the following:

- (i) A Member's ownership interest in the dental practice operated by the Company;
and
- (ii) A Member's interest in the accounts receivable, patient records of the Practice and the personal goodwill of each Member.

11.07 **Member's Individual Debt.** Any individual Member's loans or debt payable to the other Member or third party for which that individual Member is liable and which gives rise to any liens or security interests against any Company Assets including those loans and debts listed on **Exhibit 11.07** is referred to as "Member's Individual Debt."

11.08. **Members' Joint Debt.** Any loans or debt obtained by all the Members, either in the names of the Members or Company, and for which the Members are jointly and severally

liable, including those loans and debts listed on **Exhibit 11.08** shall be considered “Members’ Joint Debt”.

ARTICLE 12

DEATH OF A MEMBER

12.01 **Mandatory Purchase upon Death.** Upon the death of a Member, the surviving Member (“Surviving Member”) shall purchase all the Membership Interest owned by the deceased Member (“Deceased Member”) from the Deceased Member’s estate, and the estate shall sell such Membership Interest to the Surviving Member for the purchase price, terms and conditions provided in this Article 12.

12.02 **Insurance.** The Members may choose to obtain life insurance policies on the life of each other. The life insurance shall be in amounts mutually agreed upon. While it is the intention of the Members that the life insurance shall be adequate to fully fund the purchase price of a Deceased Member’s Membership Interest upon death, changed circumstances may result in too much or too little life insurance. The life insurance shall be “term” life insurance unless otherwise agreed by the Members. Each Member shall be the owner and beneficiary of the life insurance policies on the life of the other Member. The premiums on the life insurance policies shall be paid by the Company with the total costs of the premiums shared equally. The proceeds of the insurance shall be used to purchase all the Membership Interest owned by the Deceased Member within ten (10) days from receipt of insurance proceeds as more fully described below. The insured Member under any insurance policy or policies subject to this Agreement shall have the right to obtain from the other Member, at no additional cost, the insurance policies insuring Member within thirty (30) days after the Member’s withdrawal or departure from the Company for any reason.

12.03 **Death Purchase Price (Death Buy-Out Price).** The purchase price for the Membership Interest of a Deceased Member (“Death Buy-Out Price”) shall be determined as follows: The value of one hundred percent (100%) of the Practice (“Company’s Value”) shall be determined by a qualified appraiser chosen by the Members. In the event that the Members cannot decide on an appraiser, then each Member shall choose an appraiser and those appraisers shall choose an appraiser, who will perform the appraisal. That appraisal and the resulting Company’s Value shall be binding on all parties, including the Deceased Member’s estate. The purchase price for a Deceased Member’s Membership Interest (“Death Buy-Out Price”) shall be determined (1) by multiplying the Company’s Value times the Deceased Member’s Membership Interest, (2) plus the fair market value of any accounts receivable of Company attributable to the Deceased Member as of the date of death that are less than ninety (90) days old, (3) less the Deceased Member’s share of any Members’ Joint Debt, (4) less any of the Deceased Member’s

Individual Debt and (5) less the Deceased Member's share of Company's payables and liabilities as of the date of death.

12.04 **Payment of Death Buy-Out Price.** The remaining member ("Surviving Member") shall pay to the estate of the Deceased Member, the life insurance proceeds paid on the death of the Deceased Member upon receipt of said insurance proceeds, up to the amount of the Death Buy-Out Price as determined above. Provided life insurance proceeds are sufficient to pay the Death Buy-Out Price, the payment of said proceeds by the Surviving Member to the Deceased Member's estate shall represent a full and final payment of the total Death Buy-Out Price to be paid and a full and final settlement. All life insurance proceeds in excess of the Death Buy-Out Price shall be retained by the Surviving Member. If life insurance proceeds are not available to pay all or part of the Death Buy-Out Price, the balance or entire amount of the Death Buy-Out Price shall be paid by the Surviving Member to the Deceased Member's estate in sixty (60) consecutive and equal monthly installments of principal and interest, the first installment to be due six (6) months after the date of death. This obligation shall be evidenced by a negotiable promissory note ("Note") payable to the order of the Deceased Member's estate. The interest on the unpaid balance shall be two (2) percentage points above the prime interest rate quoted by the Wall Street Journal for commercial loans on the date of Member's death. This interest rate shall be fixed. The Note shall contain a right of prepayment and an acceleration of the entire principal balance in the event of a default for more than sixty (60) days in the payment of principal or interest. The Surviving Member shall personally guarantee payment of the Note and further, shall execute such security agreements, financing statements, deeds of trust and any other reasonable security documents as reasonably required by the Deceased Member's estate to secure said Note using Company assets as collateral.

12.05 **Transfer of Title.** Upon delivery to the Deceased Member's estate of the life insurance proceeds, and/or if appropriate, the Note described above, the Surviving Member shall be vested with complete title to the Membership Interest of the Deceased Member in the Company, and the Deceased Member's estate shall execute and deliver to the Surviving Member such instruments as may be necessary or proper to transfer full and complete title of his interest.

12.06 **Accounts Receivable.** It is the intent of the parties that the fair market value of any accounts receivable of Company existing on the date of death that were generated by the Deceased Member shall be included in the Death Buy-Out Price to be paid pursuant to the above. The Deceased Member's estate shall have no right, title, interest or claim in any specific accounts receivable of the Company after the date of death.

12.07 **Allocation of Death Buyout Price.** The Death Buyout Price shall be allocated among the Company Assets owned by the Company and the personal goodwill of the Member as

shall be mutually agreed upon by the Surviving Member and the Deceased Member's estate negotiating in good faith.

ARTICLE 13
DISABILITY OF A MEMBER

13.01 **Procedure upon Disability.** In the event a Member becomes disabled and is unable to practice dentistry for Company on a full-time basis then and in that event the parties agree to comply with the terms and conditions of this Article 13.

13.02 **Disability Defined.** A Member shall be deemed to be "disabled" when a Member is unable to practice dentistry on a full-time basis (based on each Member's schedule with the Company) for a period of more than nine (9) consecutive months. The Disabled Member shall notify the other Member ("Remaining Member"), in writing, as to the Disabled Member's inability to continue practicing dentistry on a full-time basis. If the Members cannot agree within thirty (30) days after receipt of notice of disability as to the existence of the disability, the determination shall be made by two physicians, one designated by the Disabled Member and one by the Remaining Member. If these two physicians cannot agree, they shall appoint a third physician whose opinion will be binding on the parties. All costs shall be paid equally by the Members.

13.03 **Date of Disability.** The Date of Disability shall be the date of disability as agreed upon by the Members or the date of disability as determined by a physician.

13.04 **Disability Buy-Out.** In the event of a physical disability, which is defined as a physical condition, only, that prohibits the Disabled Member from rendering services as a dentist, the Disabled Member shall be permitted to hire an associate dentist to perform services on its behalf and the Disabled Member, may, but it not required, to sell his interest in the Company to the non-disabled Member. In the event of a mental health disability, which is defined as a mental health condition that prohibits the Disabled Member from rendering services as a dentist, the Remaining Member shall purchase the Disabled Member's Membership Interest in which case the Disabled Member shall sell its Membership Interest pursuant to the terms of this Article 13. The purchase price upon disability ("Disability Buy-Out Price") shall be the same as the Death Buy-Out Price as determined pursuant to Article 12 above. The following terms and conditions shall apply to the purchase of a Disabled Member's Membership Interest by the Remaining Member: The Disability Buy-Out Price shall be paid to the Disabled Member in sixty (60) consecutive and equal monthly installments of principal and interest, the first installment to be due sixty (60) days after the Disability Buy-Out closing. This obligation shall be evidenced by a negotiable promissory note ("Note") payable to the order of the Disabled Member. The interest on the unpaid balance shall be two (2) percentage points above the prime interest rate quoted by the Wall Street Journal, for commercial loans on the date of the Disability Buy-Out closing.

These interest rates shall be fixed. The Note shall contain a right of prepayment and an acceleration of the entire principal balance in the event of a default for more than sixty (60) days in the payment of principal or interest. Upon delivery to the Disabled Member of the Note described above, the Remaining Member shall be vested with complete title to the Membership Interest of the Disabled Member in the Company, and the Disabled Member shall execute and deliver to the Remaining Member such instruments as may be necessary or proper to transfer full and complete title of his Membership Interest to the Remaining Member. The Remaining Member shall personally guarantee payment of the Note and further, shall execute such security agreements, financing statements, deeds of trust and any other reasonable security documents as reasonably required by the Disabled Member to secure said Note using Company assets as collateral.

13.05 **Disability Insurance.** The Company may obtain and maintain a disability insurance overhead policy in a sufficient amount as determined by the Managers to pay each Member's share of the Company's expenses as defined in Exhibit 7.01 upon disability for a period of up to at least nine (9) months from the Date of Disability. Each Member assigns benefits from the disability insurance overhead policy to the Company to pay for the Disabled Member's agreed upon share of all Company expenses during any period of disability and further, agrees to execute all necessary documents and perform all necessary acts to assign said disability insurance proceeds to Company. During the period of a Member's disability where the Member is unable to practice dentistry, provided the Company receives the disability overhead benefits from the Disabled Member's disability policy to pay the Disabled Member's agreed upon share of the Company's expenses, the Disabled Member shall not be responsible or liable to the Company or the other Member for the Disabled Member's share of the Company's expenses. Each Member shall be responsible for obtaining its own disability income replacement insurance.

13.06 **Accounts Receivable.** It is the intent of the parties that the fair market value of any accounts receivable of Company existing on the date of the disability that were generated by the Disabled Member shall be included in the Disability Buy-Out Price to be paid pursuant to this Article 13. The Disabled Member shall have no right, title, interest or claim in any specific accounts receivable of the Company after the date of disability.

13.07 **Allocation of Disability Buyout Price.** The Disability Buyout Price shall be allocated among the Company Assets owned by the Company and the personal goodwill of the Disabled Member and shall be mutually agreed upon by the Members negotiating in good faith.

ARTICLE 14
RESERVED

ARTICLE 15
VOLUNTARY WITHDRAWAL

15.01 **Voluntary Withdrawal.** After a period of not less than two (2) years from the Effective Date of this Agreement, a Member may elect to withdraw (“Withdrawing Member”) from the Company by delivering written notice of withdrawal to the other Member (“Remaining Member”) not less than twelve (12) months prior to the date the Member anticipates withdrawing from the Company and terminating his relationship with Company. The date which is twelve months after the written notice shall be called “Date of Withdrawal”. Upon receipt of the above written notice, the parties agree to comply with terms and conditions of this Article 15. In the event a Member attempts to withdraw earlier than two years from the Effective Date of this Agreement, such attempted withdrawal shall be treated as an Event of Expulsion and the provisions of Article 16 shall apply.

15.02 **Voluntary Withdrawal Buyout.** In the event a Member elects to withdraw, the Remaining Member may purchase, in which case the Withdrawing Member shall sell the Withdrawing Member’s Membership Interest to the Remaining Member. The purchase price upon a voluntary withdrawal (“Withdrawal Buy-Out Price”), shall be equal to One Hundred Percent (100%) of the Death Buy-Out Price as determined in paragraph 12.03 above, except that if a Member chooses to withdraw earlier than five years after the Effective Date, the Withdrawal Buy-Out Price shall be equal to \$275,000 plus 50% of any increase in the practice value from the time frame of the initial buy-in. For example, if at the Effective Date, the Company is valued at \$1,000,000 and on the Date of Withdrawal the Company is valued at \$1,200,000, then the Withdrawal Buy-Out Price for Withdrawing Member’s interest shall be equal to \$375,000, i.e., $275,000 + .50(1,200,000-1,000,000)$. The Withdrawal Buy-Out Price shall be paid to the Withdrawing Member in eighty-four (84) consecutive and equal monthly installments of principal and interest, the first installment to be sixty (60) days after the date of the closing. This obligation shall be evidenced by a negotiable promissory note (“Note”) payable to the order of the Withdrawing Member. The interest on the unpaid balance shall be two (2) percentage points above the prime interest rate quoted by the Wall Street Journal, for commercial loans on the date of closing. This interest rate shall be fixed. The Note shall contain a right of prepayment and an acceleration of the entire principal balance in the event of a default for more than sixty (60) days in the payment of principal or interest. Upon delivery to the Withdrawing Member of the Note described above, the Company or Remaining Member shall be vested with complete title to the Membership Interest of the Withdrawing Member in the Company, and the Withdrawing Member shall execute and deliver to the Company or Remaining Member such instruments as may be necessary or proper to transfer full and complete title of its Membership Interest to the Company or Remaining Member. The Remaining Member shall personally guarantee payment of

the Note and further, shall execute such security agreements, financing statements, deeds of trust and any other reasonable security documents as reasonably required by the Withdrawing Member to secure said Note using Company assets as collateral.

15.03 **Accounts Receivable.** It is the intent of the parties that the fair market value of any accounts receivable of Company existing on the Date of Withdrawal that were generated by the Withdrawing Member shall be included in the Withdrawal Buy-Out Price to be paid pursuant to the above terms. The Withdrawing Member shall have no right, title, interest or claim in any specific accounts receivable of the Company after the closing.

15.04 **Purchase Option Declined.** In the event the Remaining Member declines to exercise his purchase option, he shall notify the Withdrawing Member of his decision and the Company shall be dissolved in accordance with the provisions of Article 19 herein.

15.05 **Allocation of Withdrawal Buyout Price.** The Withdrawal Buyout Price shall be allocated among the Company Assets owned by the Company and the personal goodwill individual to each Member and shall be mutually agreed upon by the Members negotiating in good faith.

ARTICLE 16 **EXPULSION OF A MEMBER**

16.01 **Grounds for Expulsion.** The Members agree that any of the following conduct by a Member may result in the expulsion of that Member from the Company. The following events are each defined as an “Event of Expulsion”:

- (a) A Member’s license to practice dentistry in Colorado is revoked or suspended for a period of time in excess of three (3) months;
- (b) A Member is unable to obtain or maintain professional liability insurance;
- (c) Any Member becomes subject to any bankruptcy proceeding pursuant to which a trustee is appointed and which is not dismissed within sixty (60) days of filing;
- (d) Any Member becomes divorced or separated from his spouse and, pursuant to a court order, is required to transfer any Membership Interest or the control of any Membership Interest to said spouse;
- (e) The material default of this Agreement by a Member and said Member fails to cure said default within 30 days after the date of written notice of the default;

(f) Any Member shall materially default under any loan or financing documents secured by any Membership Interest or assets of the Company and fails to cure said default within the cure period;

(g) Any Member is convicted of a felony, steals from the Company, is involved in any crime or conduct that constitutes moral turpitude, or violates the Company's policies and regulations relative to sexual harassment as defined by Master LLC's Dental Clinical Committee or guidelines of the Company;

(h) Any Member has uncorrected substandard patient care as determined by Master LLC's Dental Clinical Committee; and

(i) A Member attempts to withdraw from the Company prior to the term defined in Article 15.01.

16.02 Expulsion Procedure. The Members agree that if any one of the above Events of Expulsion occurs against one Member (called "Expelled Member") the Remaining Member shall have the right to either (i) Dissolve the Company or (ii) Purchase the Expelled Member's Membership Interest for the same purchase price and terms of payment as defined in paragraphs 15.02, 15.03 and 15.05 above except that the purchase price shall be Fifty Percent (50%) of the Death Buy-Out Price as determined in paragraph 12.03 above ("Expulsion Buy-Out Price"). All other issues arising between the parties relating to a Member's conduct shall be resolved pursuant to paragraph 20.05 below.

16.03 Accounts Receivable. It is the intent of the parties that the fair market value of any accounts receivable of Company existing on the date of the Expulsion Buy-Out closing that were generated by the Expelled Member shall be included in the Expulsion Buy-Out Price. The Expelled Member shall have no right, title, interest or claim in any specific accounts receivable of the Company after the closing.

ARTICLE 17

RESTRICTIONS ON RIGHT TO COMPETE

The Members agree that in the event that any Member that leaves the Company for any reason other than death ("Transferring Member"), then the Member's Owner shall not, for a period of five (5) years after the date of the transfer, directly or indirectly, own, manage, operate, control, be employed by, participate in, or be connected in any manner with, the ownership, management, or operation of a dental practice within a four (4) aerial mile radius of the then existing Company location or locations if Company has more than one office. The Members also agree that this covenant is reasonable with respect to its duration, geographical area and proscription.

The Members also agree that a Transferring Member's Owner will not, for five (5) years after termination, treat, solicit or induce any patients of Company for its own benefit or employees of Company to leave their employ or breach any employment agreement with Company in order to accept employment in a business or enterprise to which Transferring Member has directly or indirectly become affiliated.

In the event of the Transferring Member's actual or threatened breach of the provisions of this Article, the Company or the Remaining Member shall have the right to obtain injunctive relief, specific performance and to seek any other remedy available to them. In addition to such remedies, and due to the difficulty of ascertaining with any reasonable degree of certainty the damages that might be suffered, the Members agree that, in the event there is any violation of the provisions of this covenant restricting competition, there will be paid as liquidated damages to the Company the sum of Two Thousand Dollars (\$2,000.00) per day, for each day that the Transferring Member continues to breach this Agreement. The Members agree that, because of the nature of Company's business, the above amount of liquidated damages is reasonable and shall not be construed as a penalty. In addition, the prevailing shall be entitled to collect all reasonable costs and expenses, including attorney's fees, and accountant's fees from the other party incurred in enforcing the above covenants.

The Members agree that the above covenants are reasonable with respect to their duration, geographical area and proscription and they have reviewed this Agreement with separate legal counsel. Members further agree that the covenants they have made above shall be construed as an agreement independent of any other provision of this Agreement. All covenants shall survive the termination of this Agreement. The existence of any claim or cause of action of a Transferring Member against the Remaining Member or Company, whether or not predicated upon the terms of this Agreement, shall not constitute a defense to the enforcement by Company or the Remaining Member of these covenants.

If any provision of this Agreement becomes or is found to be illegal or unenforceable for any reason, such clause or provision may be severed or modified to the extent necessary to make this Agreement legal and enforceable and as so severed or modified, the remainder of this Agreement shall remain in full force and effect.

ARTICLE 18

INDEMNIFICATION AND RELEASE

No Member shall be liable to the Company or to any other Member for any act performed or omitted by them in connection with their performance of duties under this Agreement, except in the case of fraud, negligence or dishonest conduct resulting in a civil penalty or criminal conviction to the extent the Company is not reimbursed for such losses by insurance owned by the Company. The Company shall indemnify and hold harmless the Members by reason of any

act performed by them on behalf of the Company or in furtherance of the Company business; provided however, that such indemnification shall not in any way relieve the Members of liability for losses resulting from their fraud, gross negligence or dishonest conduct resulting in a civil penalty or criminal conviction to the extent the Company is not reimbursed for such losses by insurance owned by the Company. Each Member shall, during the term of this Agreement, indemnify and hold the other Member and Company harmless from and against any liability, claim, cause of action, attorney fees, interest, costs or other expenses of whatever kind or nature incurred by the other Member or Company with respect to or arising out of a Member's negligence, professional liability, malpractice, gross negligence or breach pursuant to this Agreement. Further, Company and the Remaining Member shall make reasonable and good faith efforts to release a Transferring Member from Company debt and liabilities after the Transferring Member withdraws from Company and further shall indemnify and hold harmless the Transferring Member, his estate and his successors or assigns against any and all actions, claims, judgments, damages, costs and expenses incurred and arising from any Company debt and liabilities, and any and all claims by the Remaining Member or by Company creditors after the date of transfer, including reasonable attorney fees, but excluding any malpractice claims arising from treatment performed by the Transferring Member prior to the date of transfer.

ARTICLE 19

DISSOLUTION AND WINDING UP

19.01 **Dissolution.** The Company shall be dissolved and its affairs wound up, upon the first to occur of the following events:

- (a) the unanimous written consent of the Members; or
- (b) the withdrawal of a Member for any reason, unless the business of the Company is continued with the consent of the Remaining Member.

19.02 **Effect of Dissolution.** Upon dissolution, the Company shall cease carrying on as distinguished from the winding up of the Company business, but the Company is not terminated and continues until the winding up of the affairs of the Company is completed and a certificate of dissolution has been issued by the Secretary of State. It is anticipated that upon a dissolution, the Company and the Members shall make good faith efforts to sell Company's dental practice and assets to a third party.

19.03 **Sale of Assets or Distribution of Assets on Dissolution.** Upon the winding up of the Company, the Company Assets will be sold to a third party or distributed as follows:

(a) to creditors, including Members who are creditors, to the extent permitted by law, in satisfaction of Company Liabilities;

(b) to Members in accordance with positive Capital Account balances taking into account all Capital Account adjustments for the Company's taxable year in which the liquidation occurs. Liquidation proceeds shall be paid within 60 days of the end of the Company's taxable year or, if later, within 90 days after the date of liquidation. Such distributions shall be in cash or Property (which need not be distributed proportionately) or partly in both, as determined by the Members.

19.04 Winding Up and Certificate of Dissolution. The winding up of Company shall be completed when all debts, liabilities, and obligations of the limited liability Company have been paid and discharged or reasonably adequate provision has been made, and all of the remaining property and assets of the Company have been distributed to the Members. Upon the completion of winding up of the Company, a certificate of dissolution shall be delivered to the Secretary of State for filing. The certificate of dissolution shall set forth the information required by the Act.

ARTICLE 20

MISCELLANEOUS PROVISIONS

20.01 Entire Agreement. This Agreement represents the entire agreement between the Members. This Agreement may be amended or modified from time to time only by a written instrument adopted by both Members.

20.02 Rights of Creditors and Third Parties under Agreement. This Agreement is entered into between the Members for the exclusive benefit of the Members, and their successors and assignees. This Agreement is expressly not intended for the benefit of any creditor of the Company or any other person. Except and only to the extent provided by applicable statute, no such creditor or third party shall have any rights under this Agreement, or any agreement between the Company and any Member with respect to any Capital Contribution or otherwise.

20.03 Colorado Law. This Agreement and all documents executed and delivered relating to this Agreement shall be deemed contracts under the laws of Colorado and for all purposes shall be construed in accordance with such laws.

20.04 Severability. If any provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining provisions shall not, in any way, be affected or impaired.

20.05 Resolution of Disputes/Deadlock. The Members agree that any and all differences, controversies, claims or deadlocks arising out of or relating to this Agreement, or the

breach of this Agreement and any related documents that are unable to be resolved by the Members acting and negotiating in good faith, prior to the commencement of any litigation, the matter shall be submitted to mediation. However, notwithstanding the above, the Members agree that any claim for injunctive relief shall be decided by a court of competent jurisdiction without any requirement that the issue first be submitted to mediation.

20.06 Additional Acts and Documents. The Members, the personal representative of any decedent Member, any transferees of a Membership Interest, and all other parties bound by this Agreement shall promptly execute and deliver any and all papers or instruments necessary or desirable to carry out the provisions of this Agreement.

20.07 Authority. Each Member represents to the other Member that he has full power and authority to execute, deliver and perform this Agreement.

20.08 Termination of Rights. Upon the occurrence of any transfer of Membership Interest, the Transferring Member's position as Member of the Company shall terminate, effective as of the date of the sale, and the covenant not to compete contained in this Agreement shall be enforceable by Company and Remaining Member against the Transferring Member, if applicable.

20.09 Additional Membership Interest Restrictions. No other Membership Interests shall be issued unless prior to the issuance the new Members shall agree to become bound by the terms of this Agreement as if they were original parties. No additional Membership Interests shall be issued and no additional Members allowed except upon the written approval of all existing Members. No Membership Interest shall be approved or transferred to a person or entity that is not (i) a dentist that is duly licensed as such in the State of Colorado; or (ii) a Colorado business entity composed exclusively of dentists.

20.10 Successors and Assigns. This Agreement shall be binding on and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

20.11 Notices. Any notice required or permitted pursuant to this Agreement shall be in writing and shall be delivered in person, sent by Certified Mail, or sent by overnight courier. If such notice is hand delivered, personally served or delivered by overnight courier, it shall be effective immediately upon such delivery or service. If sent by mail, it shall be sent by Certified Mail, return receipt requested and shall be effective three (3) days after deposit of the same in a United States Mail Depository with sufficient postage attached for delivery to the parties at the Company's principal address.

20.12 Counterparts/Facsimile. This Agreement and each of the Exhibits to this Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. This

Agreement and each of the Exhibits may be executed and delivered via facsimile or electronic signatures with said signatures being acceptable and binding upon the parties.

20.13 **Construction**. The paragraph headings and captions contained in this Agreement are included for convenience only and shall not be construed or considered a part of this Agreement or affect in any manner the construction or interpretation of this Agreement. Whenever used in this Agreement, the singular will include the plural, the plural the singular, and the use of any gender will be applicable to all genders.

MEMBER: <Partner 1 PLLC>

By:<_____>
<Partner 1>, Managing Member

**EXHIBIT 6.01
INITIAL CAPITAL CONTRIBUTIONS**

MEMBER

CAPITAL CONTRIBUTION

<Partner 1 PLLC>

\$10,000

EXHIBIT 7.01
MEMBERS' SHARE OF INCOME/EXPENSES AND NET CASH PROFITS

1.0 **Member's Monthly Draw.** The Company shall pay to each Owner a Monthly Draw which shall be paid based on the following formula:

Member's Net Collections

Less Member's share of joint Company Joint Expenses
Less Member's share of Member's Collection-Based Expenses
Equals Member's Monthly Draw

2.0 **Member's Share of Company Profit.** The Members shall share the Company Profit equally based on the Membership Interest of each Member. The Members agree that initially the Company Profit shall be disbursed to the Members on a quarterly basis. The Members agree to meet at least quarterly to determine the amount set aside to pay for loans, growth/development, and the profit split among Members. The Company Profit and a Member's Share of Company Profit are defined and determined as follows:

Company's Net Collections

Less Owners' Monthly Draw
Less Company Operating Reserve
Equals Company Profit

3.0 **Definitions:**

(i) **Member's Net Collections.** Member's Net Collections are defined as the gross revenues collected by the Company attributed to the production of each Owner, less any refunds paid to any patients of the Company treated by that Owner; adjustments and discounts, including but not limited to senior, professional and cash discounts; and insurance adjustments which are defined as reductions in amounts paid for services pursuant to contracts between the Company and insurers, including, but not limited to preferred provider organizations.

(ii) **Company's Net Collections.** Company's Net Collections are defined as the gross revenues collected by the Company from all sources, except production generated by the Owners but including hygiene and any associate dentist employees, less any refunds, credits or adjustments.

(iii) **Owners' Monthly Draw.** As defined in paragraph 1.0 above.

(iv) Company Joint Expenses (50/50): The following, and any other expenses mutually agreed upon by the Members from time to time, are defined as Company Joint Expenses which shall be paid based on each Owner's Membership Interest:

Dental and Business Equipment

Member's Joint Debt Interest

Contract labor

Insurance for the office, including business overhead and general liability

Legal and accounting for the Practice

Office rent

Personal property taxes

Repairs and maintenance on facility and equipment

(v) Member's Collection-Based Expenses: The following, and any other expenses mutually agreed upon by the Members from time to time, are defined as Company Member Expenses, which shall be paid based on each Owner's share of the total Member's Net Collections:

Administrative salaries, associated payroll expenses/ taxes and benefits

Assistants' salaries, associated payroll expenses/ taxes and benefits

Hygienists and non-dentist employee salaries, payroll expenses/ taxes and benefits

Clinical and office supplies

Master LLC Royalty Payment

Lab Fees

Postage

Dental instruments

Computer services

Bank charges

Cleaning and laundry

Subscriptions

Telephone (general)

Trash pickup

Uniforms

Utilities

(vi) Company's Operating Reserve: A reasonable operating reserve which shall be determined by the Members from time to time in an amount which shall be sufficient to pay the operating expenses of the Company. As Company gross production increases or decreases and Company Expenses increase or decrease, the Company Operating Reserve shall be adjusted

accordingly. If the Company Profit is not sufficient to fund the Company Operating Reserve, then each Member's Monthly Draw and Member's Share of Company Profits shall be reduced based on the respective Membership Interests of the Members in order to fund and maintain the Company Operating Reserve. The Company Operating Reserve shall be maintained for each month of the Agreement. The initial Company Operating Reserve shall be Twenty Thousand Dollars (\$20,000).

(vii) Member Expenses: The expenses listed below ("Member Expenses") shall be the responsibility of each Member and shall be paid by each Member through its company and not through the Company unless otherwise agreed upon by the Members after consulting with their accountants. Those items specified below shall be paid out of the Company and the cost of which shall reduce the Member's Share of Company Profits. The Members shall have the right to determine what constitutes a Member Expense from time to time upon mutual consent.

Paid through the Company

Any "Buy-Sell" life and disability insurance

Associate dentist's salary, taxes, and benefits for associate who perform dentistry on those dates scheduled for a Member

Employee continuing education & training including materials

Other lab fees not included in Company's usual fees, such as fees related to implant supply purchase

Laboratory fees

Paid through the Member's LLC

Member's Individual Debt

Member's Continuing education

Automobile expense

Professional dues

Member's Insurance: disability, health

Cell phone and pager service

Member's pension and profit-sharing/retirement plan contributions

The purchase of any equipment, instruments or any other personal property or expenses not approved by Managers shall be Member Expenses.

Travel and entertainment, including marketing and meals

Laundry

Any business expense not defined as a Company Expense as determined by the Members from time to time.

SIGNATURE PAGE FOLLOWS

MEMBER: <Partner 1 PLLC>

By:<_____>
 <Partner 1>, Managing Member

EXHIBIT 11.07
MEMBER'S INDIVIDUAL DEBT

Any debt incurred to obtain Membership Interest in Company shall be considered Member's Individual Debt.

**EXHIBIT 11.08
MEMBER'S JOINT DEBT**

NONE

**EXHIBIT 11.09
OFFICE TERRITORY MAP**

