

# Operating Agreement

## Key Provisions Summary

**Civic Engine Guaranty Fund LLC** | Key Provisions Summary  
**February 2026** | For Legal Counsel Drafting

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## Purpose

This document summarizes the key provisions to be included in the Limited Liability Company Operating Agreement of Civic Engine Guaranty Fund LLC (the "Fund"). It is intended to guide legal counsel in drafting the definitive Operating Agreement.

The Operating Agreement will govern the relationship between the Fund, its Manager, and its Members (investors), establishing rights, obligations, and procedures for the Fund's operation throughout its term.

## 1. Parties and Formation

Term	Specification
Fund Name	Civic Engine Guaranty Fund LLC
Jurisdiction	Delaware
Formation Date	Certificate of Formation filed with Delaware Secretary of State
Governing Law	Delaware Limited Liability Company Act (6 Del. C. § 18-101 et seq.)
Manager	Civic Engine Fund Management LLC, a Delaware limited liability company
Initial Member	Civic Engine Fund Management LLC (prior to investor subscriptions)
Principal Office	To be designated by Manager (Kansas City, Missouri or elsewhere)
Registered Agent	CT Corporation System or equivalent registered agent in Delaware

## 2. Purpose and Business

Term	Specification
Purpose	To invest in U.S. Treasury securities and use such investments as collateral to provide credit enhancement guarantees for the construction and development of sustainable affordable housing and community infrastructure projects.
Investment Strategy	100% of Fund capital invested in short-term U.S. Treasury securities; Fund provides completion guarantees to construction lenders financing the Civic Engine project.
Target Project	<p><b>First Deployment:</b> Historic Northeast Lofts (HNEL) — 395-unit adaptive reuse, Historic Northeast Kansas City, MO. Fund provides completion guarantee to satisfy JPMC SPE capitalization requirement (\$10M minimum).</p> <p><b>Pipeline:</b> Civic Engine — ~4,000 Passive House housing units (~1,600 LIHTC affordable) + Thermal Energy Network across two districts (North Loop and Crossroads Arts District) in Kansas City, Missouri.</p>
Prohibited Activities	The Fund shall not: (i) engage in any business other than as described; (ii) borrow money except as needed for short-term working capital; (iii) invest in any securities other than U.S. Treasury obligations; (iv) make distributions that would impair outstanding guarantee obligations.

### 3. Capital Contributions

Term	Specification
Initial Fund Size	\$30,000,000
Target Fund Size	\$200,000,000
Minimum Subscription	\$1,000,000 per Member (Manager may waive in its discretion)
Capital Calls	100% of each Member's Capital Commitment is due at Closing. No subsequent capital calls.
Closings	Initial Closing upon acceptance of subscriptions totaling at least \$10,000,000. Additional closings at Manager's discretion until Final Closing.
Final Closing	No later than [12] months after Initial Closing, unless extended by Manager.
Capital Accounts	A Capital Account shall be maintained for each Member in accordance with Treasury Regulation § 1.704-1(b)(2)(iv).
Interest on Capital	No interest on Capital Contributions. Returns derived solely from Fund investments.
Return of Capital	No Member has any right to demand return of capital except upon dissolution or as provided for distributions.

Investors contribute 100% of their commitment at closing. The Fund invests that capital entirely in U.S. Treasury securities. The 15-year term enables capital recycling as guarantees release upon project stabilization.

## 4. Allocations and Distributions

Term	Specification
Allocation of Profits	Net profits allocated to Members pro rata in proportion to their Capital Contributions.
Allocation of Losses	Net losses allocated to Members pro rata in proportion to their Capital Contributions.
Return Structure	Net returns (approximately ~4.35% annually after actual operating expenses of ~0.15%) are retained within the Fund and compounded to support capital recycling. Distributions made at Fund termination or upon Manager determination that released guarantee capacity exceeds redeployment needs.
Terminal Distribution Priority	(1) Return of investor Capital Contributions (senior); (2) Investor compounded returns (~4.35% net annual); (3) Return of Arnold Holdings LLC contributed capital (from guarantee fees and CF contributions); (4) Growth on Arnold Holdings LLC contributed capital.
Tax Distributions	Manager may, but is not obligated to, make tax distributions sufficient to enable Members to pay taxes on allocated income.
Withholding	Manager authorized to withhold from distributions any amounts required by law.
In-Kind Distributions	Not permitted without Member consent.
Target Net Return	~4.35% per annum (net of ~0.15% actual operating expenses), retained and compounding, subject to Treasury yield environment.

Returns compound within the Fund rather than distributing annually, expanding the capital base and guarantee capacity each year. At termination, investor capital and compounded returns are distributed first (Priority 1 and 2), before any Arnold Holdings LLC contributed capital (Priority 3 and 4).

## 5. Management

Term	Specification
Manager	Civic Engine Fund Management LLC
Management Structure	Manager-managed LLC. Members have no authority to bind the Fund or participate in management.
Manager Authority	Full authority to manage Fund affairs including: investment decisions, guarantee execution, service provider engagement, regulatory filings, distributions, and all ordinary business operations.
Standard of Care	Manager shall perform duties in good faith and in a manner reasonably believed to be in the best interests of the Fund and its Members.
Exculpation	Manager not liable except for acts or omissions involving bad faith, willful misconduct, gross negligence, or material breach of the Operating Agreement.
Indemnification	Fund shall indemnify Manager to fullest extent permitted by Delaware law for actions taken in good faith.

The manager-managed structure centralizes operational decision-making while the Advisory Board provides independent strategic counsel. Investors have protections through supermajority removal rights, key person provisions, and the fiduciary standard governing all Manager actions.

## 6. Advisory Board

Term	Specification
Composition	Seven members: Jeremy Whiteford, Danny Roberson, Jeff Mott, William Becker, Ashok Gupta, Tom McDonnell, Jonathan Arnold
Role	Advisory only. The Advisory Board provides counsel and guidance to the Manager but has no authority to bind the Fund or direct Manager decisions.
Meetings	At least annually, or more frequently as called by Manager. May be held in person or by telephone/video conference.
Matters for Consultation	Manager shall consult with Advisory Board on: (i) material modifications to investment strategy; (ii) significant changes to guarantee exposure; (iii) conflicts of interest; (iv) Fund extension decisions.
Compensation	Advisory Board members serve without compensation, but may be reimbursed for reasonable expenses.
Resignation/Removal	Members may resign at any time. Manager may remove members and appoint replacements.

## 7. Fees and Expenses

Term	Specification
Management Fee	0.25% per annum of aggregate Capital Commitments, cost-recovery basis, payable quarterly in advance with annual true-up. Excess above actual expenses (~0.15%) returned to Fund.
Guarantee Fee	0.25% per annum of guaranteed amount, paid by each project to Manager, contributed (net of tax) to Fund as capital.
Cash Flow Contribution	Arnold Holdings LLC contributes 20% of each project's Cash Flow After Debt Service (net of tax) to Fund as capital, building Arnold Holdings LLC's junior equity position (~4.87% / ~\$15.7M projected at Year 10).
Fee Basis	Committed capital (not invested capital or NAV).
All-In Fee	Management Fee covers all ordinary operating expenses including fund administration, audit, legal compliance, and rating agency fees (if any).
Organizational Expenses	Borne by Manager, not charged to Fund.
Extraordinary Expenses	Litigation costs, workout expenses, and costs of enforcing guarantees borne by Fund.
No Other Fees	No acquisition, disposition, carried interest, or performance fees.

## 8. Term and Dissolution

Term	Specification
Initial Term	Fifteen (15) years from Initial Closing.
Extensions	Manager may extend the Term for up to two (2) additional two-year periods upon notice to Members.
Early Termination	Manager may dissolve the Fund earlier if: (i) all guarantees have been released and all investments liquidated; (ii) a Supermajority in Interest of Members votes to dissolve.
Events of Dissolution	(i) Expiration of Term (including extensions); (ii) Manager election to dissolve; (iii) Supermajority Member vote; (iv) Entry of judicial decree of dissolution.
Winding Up	Upon dissolution, Manager shall wind up Fund affairs, liquidate investments, satisfy guarantee obligations or escrow reserves therefor, pay liabilities, and distribute remaining assets to Members.
Final Distributions	Pro rata to Members in proportion to positive Capital Account balances.

The 15-year term aligns with the capital recycling timeline: early construction phases stabilize and release guarantee capacity within 4-6 years, enabling multiple rounds of capital redeployment. The Manager may extend by up to four years for orderly wind-down if guarantee obligations remain outstanding. Early dissolution is possible if all guarantees have been released.

## 9. Transfer Restrictions

Term	Specification
General Restriction	No Member may Transfer any Membership Interest without prior written consent of Manager, which may be withheld in Manager's sole discretion.
Permitted Transfers	Manager consent not required for Transfers to: (i) Affiliates of transferring Member; (ii) successor by merger or reorganization; provided transferee executes Joinder Agreement and meets accredited investor requirements.
Conditions to Transfer	Any Transfer requires: (i) Manager consent (unless Permitted Transfer); (ii) compliance with securities laws; (iii) opinion of counsel (if requested); (iv) payment of Fund's transfer costs; (v) execution of Joinder Agreement.
No Redemptions	Members have no right to redeem or withdraw capital during the Fund Term.
Substitute Members	Transferees admitted as Substitute Members upon satisfaction of conditions and Manager approval.

## 10. Reporting and Information Rights

Term	Specification
Annual Financial Statements	Audited financial statements within 120 days of fiscal year end.
Tax Information	Schedule K-1 within 90 days of fiscal year end.
Quarterly Reports	Unaudited quarterly reports including: Treasury portfolio summary, guarantee utilization, project construction progress, impact metrics.
Expenditure Responsibility Reports	For foundation Members making PRIs: annual reports on use of funds and progress toward charitable purpose.
Annual Impact Report	Comprehensive impact assessment including actual vs. projected metrics.
Inspection Rights	Members may inspect Fund books and records upon reasonable notice during normal business hours.

## 11. Conflicts of Interest

Term	Specification
Disclosed Conflicts	Members acknowledge the following conflicts: (i) Manager is wholly owned by Arnold Holdings LLC. Jonathan Arnold, who controls Arnold Holdings LLC, also controls Arnold Development Group, which serves as the developer of the Civic Engine project receiving Fund guarantees; (ii) Arnold Holdings LLC, Arnold Development Group, and their affiliates may have other projects competing for resources.
Permitted Activities	Manager, its affiliates, and their personnel may engage in other business activities, including activities that may compete with or be similar to Fund activities, without obligation to present opportunities to the Fund.
Related Party Transactions	Any material transaction between the Fund and Manager or its affiliates shall be on terms no less favorable to the Fund than could be obtained from an unaffiliated third party.
Waiver	By subscribing, Members acknowledge and consent to the conflicts disclosed in the PPM and this Agreement.

## 12. Voting and Amendments

Term	Specification
Voting Rights	Members vote in proportion to Capital Contributions.
Supermajority	“Supermajority in Interest” means Members holding at least 66 2/3% of aggregate Capital Contributions.
Matters Requiring Supermajority	(i) Removal of Manager; (ii) Early dissolution; (iii) Amendment to material economic terms.
Manager Amendments	Manager may amend the Agreement without Member consent for: (i) admission of new Members; (ii) technical or clarifying changes; (iii) changes required by law; (iv) changes that do not adversely affect Members.
Member Amendments	Amendments adversely affecting Member rights require written consent of affected Members.

## 13. Tax Matters

Term	Specification
Tax Classification	Fund intends to be treated as a partnership for U.S. federal income tax purposes.
Partnership Representative	Manager shall serve as “Partnership Representative” under the Bipartisan Budget Act of 2015.
Tax Returns	Manager shall prepare and file all required tax returns (Form 1065).
Tax Elections	Manager authorized to make all tax elections on behalf of the Fund.
Section 754 Election	Manager shall make Section 754 election if requested by a transferring Member and administratively feasible.
UBTI	The Fund’s investment strategy (Treasury securities, guarantees) is not expected to generate unrelated business taxable income.

## 14. Miscellaneous Provisions

Term	Specification
Confidentiality	Members shall maintain confidentiality of Fund information except as required by law or permitted by Manager.
Notices	Notices effective when delivered by email, overnight courier, or first-class mail to addresses on file.
Entire Agreement	Operating Agreement and Subscription Agreement constitute entire agreement; supersede prior negotiations.
Severability	Invalid provisions severed without affecting remaining provisions.
Waiver	No waiver of any provision effective unless in writing.
Counterparts	May be executed in counterparts, including electronic signatures.
Dispute Resolution	Disputes resolved by binding arbitration in accordance with AAA rules, venue in Delaware.
Governing Law	Delaware law (without regard to conflicts of law principles).

*This summary is provided for legal counsel's use in drafting the definitive Operating Agreement. All terms are subject to legal review and may be modified based on counsel's recommendations.*

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