

OPERATING AGREEMENT

OF

HARRISON INDUSTRIES, LLC

This Operating Agreement, is entered into effective as of April 4, 2000, by the undersigned parties, who by their execution of this Operating Agreement have become the Members of *Harrison Industries, LLC*, an Oregon limited liability Company (the "*Company*"), provides as follows:

RECITALS:

The undersigned have caused the Company to be organized as a limited liability Company under the laws of Oregon effective as of the date hereof, and they wish to enter into this Operating Agreement in order to set forth the terms and conditions on which the management, business and financial affairs of the Company shall be conducted.

AGREEMENT:

1. Formation

a. Name

The name of the limited liability company (the "*LLC*") is *Harrison Industries, LLC*.

b. Articles of Organization

Articles of Organization were filed with the Oregon Secretary of State on April 4, 2000.

c. Duration

The LLC shall continue until terminated as provided in this Agreement or under Oregon law.

d. Principal Place of Business

The principal office of the LLC initially shall be located at 10355 Liberty Road S, Salem, Oregon 97306-9425. The Members may relocate the principal office or establish additional offices from time to time.

e. Registered Office and Registered Agent

The LLC's initial registered office shall be at 10355 Liberty Road S., Salem, Oregon 97306-9425, and the name of its initial registered agent at such address shall be Kenneth O. Harrison.

f. Management of LLC

The LLC shall be managed by one or more Managers.

g. Purposes and Powers

The LLC may engage in any lawful business permitted under Oregon law, except that the LLC shall engage in no business where doing so would violate any contractual provision in a promissory note, trust deed, or other contract of which the LLC is a party.

h. Voluntary Bankruptcy

The LLC shall not file a voluntary petition for bankruptcy under any circumstances if doing so would constitute an act of default under any loan agreement, promissory note, or trust deed to which the LLC is a party.

i. Title to Property

All LLC property shall be owned by the LLC as an entity, no Member shall have any ownership interest in such property in the Member's individual name, and any Member's interest in the LLC shall be personal property for all purposes. Except as otherwise provided in this Agreement, the LLC shall hold all LLC property in the name of the LLC and not in the name or names of any Member or Members. However, if the Managers decide it is appropriate, a Member or the trustee of a trust which is a Member of the LLC may hold an LLC asset in his or her individual name in trust for the LLC.

2. Members, Contributions, and Interests

a. Initial Contributions and Ownership Units

Each of the Members agrees to contribute to the LLC in cash or real and personal property the respective amount ("*Initial Contribution*") set opposite each Member's name below and, in return, shall receive the ownership units as referred to below:

NAME AND ADDRESS	CONTRIBUTION	OWNERSHIP
Kenneth O. Harrison 10355 Liberty Rd. S. Salem, OR 97306-9425	A bundle of contract rights, development concepts, reputation in the industry, and credit reputation; and \$400 in cash.	40%

Kevin C. Harrison
10355 Liberty Rd. S.
Salem, OR 97306-9425

A bundle of contract rights,
development concepts,
reputation in the industry,
and credit reputation, and
\$600 in cash. 60%

b. Certificates of Ownership

Each Member shall receive a Certificate of Ownership Units indicating the number of Ownership Units owned by each Member.

c. Type of Membership Interest

The Membership Interest (also referred to as Ownership Units) of Kenneth O. Harrison and Kevin C. Harrison shall be considered as controlling interests and such members shall be referred to herein as the "**Controlling Members**." Any person or entity to whom the Members may hereafter assign their Ownership Units shall also be considered a Controlling Member.

d. Other Business of Members

Any Member may engage, independently or with others, in other business and investment ventures of every nature and description and shall have no obligation to account to the LLC for such business or investments or for business or investment opportunities.

e. Additional Contributions

In addition to the capital contributions described above, additional capital contributions shall be accepted from existing Members only if all the Members unanimously approve and set the maximum total amount of the additional capital contributions. If the Members do so, the Members shall make such additional capital contributions on a pro-rata basis in proportion to their Ownership Units.

f. Borrowing

The LLC may borrow funds necessary for the operation of the LLC from Members if approved by the affirmative vote of 65% or more of the Managers of the LLC; or, if 65% of the Managers of the LLC do not agree to such borrowing, then the LLC may borrow such funds from Members upon the affirmative vote of Members holding more than 50% of the Ownership Units. If the funds are borrowed from any Member, then the interest rate shall not be less than 2% above the Prime Rate charged by U.S. Bank on commercial loans on the date the LLC borrows such funds.

g. No Interest on Capital Contributions

No interest shall be paid on capital contributions.

h. Capital Accounts

The LLC shall establish and maintain capital accounts with respect to each Member in accordance with the rules found in *Treas. Reg. Section 1.704-1 (b)*.

3. Member Meetings

a. Annual Meeting

An annual meeting of the Members may be held at the principal office of the LLC or any other place specified by the Managers on the first Friday of December of each year or such other date as is established by the Managers and is communicated by notice to the Members. At the annual meeting, the Members shall transact all business which is properly brought before the meeting.

b. Special Meetings

A special meeting of Members shall be held if any Member requests such meeting by signing, dating, and delivering to the LLC's principal office written demand for the meeting, describing the purpose or purposes for which it is to be held. Meetings of Members shall be held at the principal office of the LLC or any other place specified in the notice of meeting.

c. Notice of Meeting

Written notice of the date, time, and place of each Members' meeting shall be given to each Member not earlier than 60 days nor less than ten (10) days before the meeting date. The notice must include a description of the purpose or purposes for which the meeting is called. Notwithstanding the above, a Member automatically waives the notice requirements of this paragraph attends a Member meeting.

d. Record Date

The persons entitled to notice of and to vote at a Member meeting and their respective Ownership Units shall be determined as of the record date for the meeting. The record date shall be the date on which notice of the meeting was first mailed or otherwise delivered.

e. Quorum

The presence, in person or by proxy, of Members holding more than 50% of the Ownership Units shall constitute a quorum.

f. Proxies

A Member may be represented at a meeting in person or by written proxy.

g. Voting

On each matter requiring action by the Members, each Member shall be entitled to one vote for each Unit of Ownership. Whenever the phrase "majority of the Members" or "majority of the Ownership Units" is used in relation to voting, it means the decision voted on requires the affirmative vote of more than 50% of all Ownership Units. Unless otherwise provided in this Agreement. All matters requiring action by the Members shall be approved by Members owning a majority of the Ownership Units.

h. Actions Requiring Unanimous Vote of Members

The following actions require the unanimous approval of the Members:

- i.** Admitting an additional Member;
- ii.** Merging the LLC with another entity;
- iii.** Borrowing funds from any source which requires the personal guarantee of all the Members; or
- iv.** Requiring additional capital contributions.

i. Meeting of all Members

Notwithstanding any other provision of this Operating Agreement, if all of the Members shall hold a meeting at any time and place, such meeting shall be valid without call or notice, and any lawful action taken at such meeting shall be the action of the Members.

j. Action Without Meeting

Any action required or permitted to be taken by the Members at a meeting may be taken without a meeting if a consent in writing, describing the action taken, is signed by Members owning more than 50% of the Ownership Units and is filed with the LLC records and a copy of such consent in writing is contemporaneously sent to all Members.

k. Meetings by Telephone

Meetings of the Members may be held by telephone conference or by any other means of communication by which all participants can hear one another simultaneously during the meeting, and such participation shall constitute presence in person at the meeting.

l. Sale or Transfer of Substantially all of the LLC's Property

The affirmative vote of more than 50% of the Ownership Units shall be required before the LLC can transfer all or substantially all of the LLC's assets. Notwithstanding the above, the Members agree that the LLC shall not sell or transfer substantially all of

the LLC's assets upon less than a unanimous Membership vote if to do so, in view of all the circumstances including the tax obligations of each Member, would create an unreasonable tax burden on any particular Member.

m. Compensation

Except as specifically provided for elsewhere herein, no Member or Manager shall be entitled to any salary for services rendered to the LLC unless agreed to by the affirmative vote of Members owning more than 50% of the Ownership Units.

4. Management

a. Management by Manager(s)

The LLC shall be managed by one or more Managers who shall be elected by the affirmative vote of the Controlling Members as defined in Paragraph 2.c., and each of the Controlling Members shall have one vote in electing the Manager or Managers of the LLC. The Manager need not be a Member of this LLC. The remaining Members as listed in Paragraph 2, if any, shall not be entitled to vote for Manager of the LLC unless and until such time as both Kenneth O. Harrison and Kevin C. Harrison are deceased, after which time, the Manager shall be elected by the affirmative majority vote of all of the Members, with each Member having one vote for each ownership unit. A Manager may be compensated for work done at the sole discretion of the Controlling Members. In addition, the Manager shall have the right to contract with a separate entity, including an entity of which the Manager or Members of this LLC have ownership interests, for handling the day-to-day management of the LLC and its assets.

b. Initial Managers

The initial Managers of the LLC shall be Kenneth O. Harrison Kevin C. Harrison.

c. Election of Managers

Once properly elected, a Manager or Managers shall serve until such time as the Manager's death, resignation, removal, or at such time as new Managers are properly elected by the Managers or Members. A Manager can be removed at any time by vote of the Controlling Members. Upon replacement of any of the initial Managers, the name of the newly-elected Manager or Managers and the date upon which such Manager or Managers is elected shall be set out in the space provided on *Exhibit 2* attached hereto and by this reference made a part hereof, and initialed by those Members with authority to elect such Manager or Managers.

d. Manager Decisions

All Managers shall have the right to participate in the management of the LLC, and each Manager shall have authority to make all decisions relating in any way to the LLC, except decisions requiring unanimous approval of the Members of the LLC. If more than one Manager is serving, each Manager shall have authority to bind the LLC

and make decisions individually regarding the LLC, except that such authority to make decisions unilaterally to bind the LLC shall be limited to those decisions where the total financial impact on the LLC is \$25,000 or less. In all decisions where the potential financial impact on the LLC is more than \$25,000, such decisions must be approved by more than 50% of the Managers and shall require the signature of more than 50% of the Managers. If more than one Manager is serving, management decisions shall be made by a majority vote. In instances where the Managers cannot approve or disapprove of a particular action because of a deadlock, the issue shall be resolved according to the dispute resolution provisions of this Agreement.

e. Other Activities

Managers may have other business interests and may engage in other activities in addition to those relating to the LLC. This section does not change each Manager's duty to act in a manner that the Manager reasonably believes to be in the best interests of the LLC.

f. Meetings

If more than one Manager is elected, the Managers may hold meetings at such place and time as is agreed upon by the Managers. No written notice of such meetings is necessary. Provided, however, that one Manager may give written notice to another Manager of the date and time of a meeting; and, if the other Manager does not attend such meeting, then a deadlock shall be deemed to exist and any disputes shall be resolved pursuant to the dispute resolution provisions of this Agreement.

g. Vacancy

If a vacancy occurs in the Managers, the remaining Managers can fill such vacancy if they so desire, by the affirmative, unanimous vote of such remaining Managers.

h. Management Upon the Death of Kenneth O. Harrison or Kevin C. Harrison

In the event of the death of Kenneth O. Harrison or Kevin C. Harrison during the term of this LLC, the LLC shall not be deemed to be dissolved thereby but shall be continued in accordance with this Agreement.

- i.* If Kenneth O. Harrison or Kevin C. Harrison dies prior to the sale of the LLC property described in this Agreement, the survivor(s) shall have sole authority regarding management of the LLC and the deceased's interest in the LLC and the LLC assets. Neither the deceased's spouse nor the deceased's estate nor any trust of which the deceased is a trustor which may be a Member of the LLC shall have any management authority. All management authority shall rest in the survivor(s), and the authority accorded to the survivor(s) herein shall be unlimited.

- ii.* If the LLC assets have been sold at the time of the death of Kenneth O. Harrison and Kevin C. Harrison or at such time as the Property is sold thereafter, the net profits or the net losses shall be shared in accordance with Ownership Units between the survivor(s), the deceased's estate, and the other Members. It is the intent of the Members that there shall be no forced sale, but rather a sale shall be made at the time prescribed by and on the terms prescribed by the survivor(s); and the deceased's spouse or other beneficiaries shall have no control over said matters. The survivor(s) is hereby accorded the right to purchase from the deceased' estate or a trust of the deceased all of the deceased's interest in the LLC. The purchase price shall be the fair market value of the deceased's interest in the assets after deducting the deceased's share of encumbrances, but without deduction for minority interest. Fair market value shall be determined by agreement between the parties. If they cannot reach agreement within 60 days of the death of the deceased, then, at anytime thereafter, either party may implement the dispute resolution procedure provided in this Agreement to resolve the issue of value. As monies are accumulated from the sale of the LLC assets or from installment payoffs, net of taxes, debts, fees, and costs, the survivor(s) shall make distributions therefrom on an annual basis to the beneficiary of the deceased, a trust of the deceased, or a successor of the deceased which is a Member of this LLC.

5. Accounting and Records

a. Books of Account

The LLC's books and records, a register showing the names, addresses, and Ownership Units of the Members; and this Operating Agreement shall be maintained at the principal office of the LLC, and each Member shall have access thereto at all reasonable times. The Managers shall keep books and records of the operation of the LLC which are appropriate and adequate for the LLC's business and for the carrying out of this Agreement. Accounting records shall be kept in accordance with generally accepted accounting principles.

b. Fiscal Year

The fiscal year of the LLC shall be the calendar year.

c. Tax Returns

The Managers shall cause all required federal and state income tax returns for the LLC to be prepared and timely filed with the appropriate authorities. Within 90 days after the end of each fiscal year or such later date as the Managers may agree, each Member shall be furnished a statement suitable for use in the preparation of the Member's income tax return, showing the amounts of any distributions, contributions, gains, losses, profits, or credits allocated to the Member during such fiscal year. No Member may obtain

damages of any kind or other relief for failure to complete the accounting and tax returns within 90 days but may demand records, hire an accountant, etc. and be reimbursed for actual expenses.

6. **Allocations of Income and Loss and Capital Accounting and Restoration**

a. Definitions

Capitalized terms used in this Paragraph 6 and related appendices have the meanings given in *Appendix 1*.

b. Determination of Income and Loss

The Company's profits and losses for each fiscal year will be determined as of the end of that fiscal year by the Company's accountants in accordance with federal income tax accounting principles, consistently applied, utilizing that method of accounting employed in the federal income tax informational return filed by the Company for that fiscal year.

c. Allocation of Profits and Losses

Subject to the special allocations and limitations set forth in Paragraph 6.d., and *Section 10 of Appendix 1*, the profits and losses of the Company for each fiscal year will be allocated among the Members pro rata in proportion to their respective Membership Percentages.

d. Special Allocations and Limitations

The Members intend that all allocations will be pro rata as described in Paragraph 6.c., above. However, in order to comply with federal income tax regulations regarding the substantial economic effect of Company allocations, in the special circumstances described in such provisions, all allocations of Company income, gain, loss and deductions are subject to the special allocations and limitations described in *Section 10 of Appendix 1*.

e. Need for Capital Restoration Agreement

The LLC may from time to time have cash in excess of its current needs and may desire to distribute such cash to the Members. However, the LLC desires to retain the ability to obtain capital from the Members under certain circumstances to restore a Member's Capital Account and thereby ensure the LLC's continued survival and viability in the case of economic downturn or otherwise. As a result, the Members have agreed to a *Capital Account and Restoration Obligation* as provided below. The Members of the LLC each acknowledge their understanding that by agreeing to enter into this Capital Accounting and Restoration Agreement, they are, to a limited extent, obviating the limited liability protection that would otherwise be afforded to them as a Member of a limited liability company.

f. Capital Account Restoration Obligation

Notwithstanding any provision of the LLC Operating Agreement, the parties agree to restore their capital accounts in accordance with the other terms and conditions of this Agreement to the extent the following formula results in a positive number (the "**Capital Account Restoration Obligation**"):

- i.* All cash distributions to an individual Member;
- ii.* Plus the absolute value of all losses passed through to such Member;
- iii.* Less the initial outside basis in such Member's ownership units;
- iv.* Less all income passed through the LLC to such Member;
- v.* Less such Member's outside basis in any additional capital contributions made by such Member to the LLC;
- vi.* Less any payments made by such Member on LLC debt personally guaranteed by such Member; and
- vii.* Less any indebtedness of the LLC which such Member can utilize to increase such Member's outside basis in such Member's ownership units pursuant to the provisions of the Internal Revenue Code and Regulations relating thereto.

g. Payment of Capital Account Restoration Obligation

The Capital Account Restoration Obligation of the Members of the LLC shall be paid to the LLC in accordance with the terms and conditions of this Agreement upon any of the following ("**Event Requiring Restoration**"):

- i.* In the event the LLC files a petition of bankruptcy, or creditors of the LLC commence a case or proceeding in bankruptcy with respect to the LLC and the LLC fails to obtain the dismissal of such case or proceeding within thirty days of its commencement.
- ii.* In the event the LLC is unable to pay its debts as they become due. In such event the Capital Account Restoration Obligation shall be paid by the Members in accordance with the terms provided below until such time as the ability of the LLC to pay its debts as they become due has been corrected either by subsequent profits or by capital restorations of the Members.
- iii.* Upon the affirmative votes of those Members owning a majority of the ownership units.

h. Obligation of Members to Provide Accounting

Upon any Event Requiring Restoration, each Member shall provide an accounting of the Member's initial outside basis in its ownership units in the LLC and an accounting of the Member's outside basis in any in its ownership units in the LLC and an accounting of the Member's outside basis in any additional assets contributed to the LLC.

i. Payment of Capital Account Restoration Obligation

Payment of any properly demanded Capital Account Restoration Obligation shall be made, after demand by the LLC upon all Members with such an obligation, over a period of 10 years, with interest at the minimum rate allowed by the Internal Revenue Code, but not less than 5.5% per annum.

j. Grant of Security Interest

As security for the full and prompt payment in accordance with the terms of this Agreement of each Member's Capital Account Restoration Obligation, each Member hereby grants to the LLC a security interest in each Member's Ownership Units in the LLC. In the event a Member fails to pay the Member's Capital Account Restoration Obligation in accordance with the terms of this Agreement, the LLC, in addition to any other rights and remedies available at law or in equity, shall have all of the rights and remedies of a secured party under the Uniform Commercial Code of the State of Oregon, as such may be amended from time to time.

7. Transfers of Interests

a. Restriction on Sale or Other Transfer

No Member, in any manner or by operation of law, shall sell, exchange, assign, pledge, give, or otherwise transfer or encumber all or any part of such Member's interest in this LLC without obtaining the prior written consent of Members owning more than 50% of the Ownership Units of the LLC.

b. Purchase and Sale of LLC Interests of a Member

- i. Deadlock.*** If any disagreement shall arise among the Members creating a deadlock in the decision making relating to the operations of the LLC and thus hindering the ability to carry on the business of the LLC, the disagreement shall be resolved in accordance with the dispute resolution provisions of this Agreement.
- ii. Unacceptable Decision.*** If any Member of this LLC is unwilling to abide by the decision obtained through the dispute resolution process, then such dissenting Member shall offer his Ownership Units in the LLC to the LLC and the remaining Members for the fair market value of such dissenting Member's interest in the LLC business and assets, without deduction for minority status. If the parties cannot agree on the fair market value of the

LLC interest of the dissenting Member, then the fair market valuation issue shall be resolved in accordance with the dispute resolution procedure provided in this Agreement; and the decision obtained through the dispute resolution process shall be binding on the parties.

- iii. Events Requiring Sale.* Upon the occurrence of any of the following events relating to any Member, such Member shall offer his Ownership Units in the LLC to the LLC and the remaining Members for the fair market value of such Member's interest in the LLC business and assets, with deduction for minority status: (i) the Member makes an assignment for the benefit of creditors; (ii) the Member files a voluntary petition for bankruptcy; (iii) the Member is adjudicated a bankrupt or insolvent; (iv) the Member files a petition or answer seeking, for the Member, any reorganization, arrangement for the benefit of creditors, composition of debts and assets, readjustment of debts and assets, liquidation of assets, or dissolution of marriage or similar relief under any statute, law, or regulation. If the parties cannot agree on the fair market value of the LLC interest of such Member, then the fair market value issue shall be resolved in accordance with the dispute resolution procedure provided in this Agreement; and the decision obtained through the dispute resolution process shall be binding on the parties.
- iv. Dissolution.* Should neither the LLC nor the remaining Members wish to purchase the LLC interest of a dissenting Member or a Member to whom one of the above events occurred, then the LLC shall be dissolved pursuant to Paragraph 8 of this Agreement.

8. Dissolution and Winding up of the LLC

a. Dissolution

Except as otherwise provided in this Operating Agreement, the LLC shall be dissolved: (a) at the time, if any, for dissolution specified in the Articles of Organization; (b) within four (4) years of the sale, transfer, or other disposition of all or substantially all of the assets of the LLC unless otherwise agreed by the Members; (c) upon the agreement of Members owning more than 65% of the Ownership Units of this LLC, or (d) as provided in Paragraph 7.b.iv. Provided, however, that, if such dissolution would constitute an event of default in any contractual obligation of the LLC, then the LLC shall not be so dissolved.

b. Winding Up

Upon the dissolution of the LLC, the Members must take full account of the LLC's assets and liabilities and must restore any negative capital accounts to zero. The assets shall be liquidated as promptly as is consistent with obtaining their fair market value, and the proceeds shall be applied and distributed as promptly as is commercially reasonable in the following order:

- i.* To the payment and discharge of the expenses of liquidation and involve the LLC's debts and liabilities to persons or organizations other than Members;
- ii.* To the payment and discharge of all of the debts and liabilities of the LLC to persons or organizations other than the Members;
- iii.* To the payment and discharge of any debts and liabilities to Members;
- iv.* To the Members in the amount of the positive balances in their respective capital accounts on the date of distribution. If the amount available for such distribution to the Members is insufficient to bring all positive capital account balances to zero, then payment shall be made on a pro-rata basis among all the Members in the same proportion that the positive balance in the capital account of each Member bears to the aggregate amount of the positive balances in the capital accounts of all Members.
- v.* Any proceeds remaining shall be distributed to the Members in accordance with their Ownership Units.

9. Indemnification

a. Indemnification

To the fullest extent permitted under Oregon law, as the same exists or may hereafter be amended, the LLC shall defend, indemnify, and hold harmless each Member and/or Manager of the LLC against any and all claims and liabilities to which such Member and/or Manager has or shall become subject by reason of serving or having served as such Member and/or Manager or by reason of any action alleged to have been taken, omitted, or neglected by such Member and/or Manager. The LLC, by action of Members owning more than 50% of the Ownership Units, may provide indemnification to other employees and agents of the LLC. The indemnification provided in this Paragraph 9 shall not be exclusive of any other rights to which any person may be entitled under statute, agreement, resolution, contract, or otherwise.

b. Limitation of Liability

Members managing the LLC shall not be liable to the LLC or its Members for monetary damage or otherwise for conduct as Members and/or Managers except to the extent that the Oregon Limited Liability Company Act, as it now exists or may hereafter be amended, prohibits elimination or limitation of Manager or Member liability. No repeal or amendment of this section of this Operating Agreement or of the Oregon Limited Liability Company Act shall adversely affect any right or protection of a Manager or Member for actions or omissions prior to the repeal or amendment.

10. Amendments

a. *By Members*

The Controlling Members may amend or repeal the provisions of this Operating Agreement by agreement set forth in writing or by action taken at a meeting of Members called for that purpose.

11. Miscellaneous

a. *Duty of Loyalty*

Each Member and Manager shall be entitled to enter into transactions that may be considered to be competitive with, or a business opportunity that may be beneficial to, the Company, it being expressly understood that some of the Members and Managers may enter into transactions that are similar to the transactions into which the Company may enter and the Company and each Member and Manager waive the right or claim to participate therein.

b. *Other Self Interest*

A Member or manager does not violate a duty or obligation to the Company merely because the conduct furthers the interest of the Member or Manager. A Member or Manager may lend money to and transact other business with the Company. The rights and obligations of a Member or a Manager who lends money to or transacts business with the Company are the same as those of a person who is not a Member or a Manager, subject to other applicable law. No transaction with the Company shall be voidable solely because a Member or a Manager has a direct or indirect interest in the transaction if the transaction is approved or ratified as provided herein.

c. *Additional Documents*

Each Member shall execute such additional documents and take such actions as are reasonably requested in order to complete or confirm the transactions contemplated by this Operating Agreement.

d. *Dispute Resolution*

In the event there is any dispute or deadlock between or among the parties to this Operating Agreement relating in any way to this Operating Agreement, the LLC itself, the business or operations of the LLC, or the Articles of Organization of the LLC, the parties must mediate such dispute or deadlock before commencing any legal action. No party to this Agreement can bring legal action or demand mandatory arbitration against another party to this Agreement without first participating in mediation, unless one party refuses to submit to mediation and legal action is brought to specifically enforce this mandatory mediation provision of this Operating Agreement. If the parties cannot agree upon the person to act as the mediator, then the U.S. Arbitration and Mediation Service in Portland, Oregon, shall select a person to act as the mediator. The mediator's charges and

expenses shall be split by the parties on a 50/50 basis. Mediation fees and costs do not include each party's attorney fees and costs. Each party shall be responsible for his own attorney fees and costs at mediation. Should the dispute not be resolved by mediation, the parties agree to submit any dispute arising between the parties relating in any way to this Agreement to binding arbitration with the U.S. Arbitration and Mediation Service in Portland, Oregon, and shall utilize such Service's rules of procedure. If the parties cannot agree upon an individual to act as the arbitrator, then the U.S. Arbitration and Mediation Service in Portland, Oregon, shall select a person to act as the arbitrator. The standard used by the arbitrator in resolving disputes will be reasonable business practices in similar businesses, taking into account tax implications. If the dispute goes to arbitration, the prevailing party shall be entitled to its attorney fees and costs incurred in the arbitration process. The decision of an arbitrator shall be final and not subject to any appeal and shall be enforceable in a court of competent jurisdiction.

e. Dispute Resolution in the Event of a Deadlock

In any instance in which there are insufficient votes to approve or disapprove any actual or proposed action or inaction of the LLC, the Members and Managers agree that such decision shall be referred to the dispute resolution procedure described above; and the standard for decision making to be applied by the arbitrator shall be the "reasonable business practices in a similar business in the community, taking into account tax implications". In such event, the LLC shall pay all costs of mediation and arbitration. The decision of the arbitrator shall be final and not subject to any appeal and shall be enforceable in a court of competent jurisdiction.

f. Governing Law

This Operating Agreement shall be governed by Oregon law.

g. Headings

Headings in this Operating Agreement are for convenience only and shall not affect its meaning.

h. Severability

The invalidity or unenforceability of any provision of this Operating Agreement shall not affect the validity or enforceability of the remaining provisions.

i. Third-party Beneficiaries

The provisions of this Operating Agreement are intended solely for the benefit of the Members and shall create no rights or obligations enforceable by any third party, including creditors of the LLC, except as otherwise provided by applicable law.

j. Representation of Counsel

This Operating Agreement was prepared by Saalfeld, Griggs, Gorsuch, Alexander & Emerick, P.C., which represents Harrison Industries, LLC only in this matter, although the law firm of by Saalfeld, Griggs, Gorsuch, Alexander & Emerick, P.C. has represented Kenneth O. Harrison, the Kenneth O. Harrison Revocable Living Trust, Kevin C. Harrison, it is not representing any of such parties individually, in the preparation of this Operating Agreement. Kenneth O. Harrison and Kevin C. Harrison each acknowledge that they have been advised of these facts and have the right and are encouraged to seek independent legal counsel of their choice regarding their rights and obligations, individually and as trustees, under this Operating Agreement. The parties acknowledge their right to negotiate the terms of this Agreement and agree that although the Agreement was prepared by the LLC, no provision of this Agreement shall be construed or interpreted against the drafter or any other party.

**The Kenneth O. Harrison Revocable
Living Trust dated October 27, 1997, Member**

By: Kenneth O. Harrison
Kenneth O. Harrison, Trustee

Kevin C. Harrison
Kevin C. Harrison, Member

Appendix 1

1. **Adjusted Capital Account Deficit.** A deficit balance in any Member's Capital Account at the end of any fiscal year after adjustment to reflect any Adjustment Items, to the extent that the deficit exceeds the amount of a member's shares of Company Minimum Gain and Member Non-recourse Debt minimum Gain (if any) that the Member is deemed to be obligated to restore pursuant to Treasury Regulation §§1.704-2(g)(1) and 1.704-2(i)(5).
2. **Adjustment Items.** Adjustments, allocations, and distributions described in Treasury Regulation §§1.704-1(b)(2)(ii)(d)(4), (5), and (6)
3. **Capital Account.** The account maintained for each Member pursuant to Section 2.8.
4. **Company Minimum Gain.** As of any date, the amount of gain, if any, that would be recognized by the Company for federal income tax purposes, as if it disposed of property in a taxable transaction on that date in full satisfaction of any non-recourse liability secured by the property, computed in accordance with Treasury Regulation §1.704-2(d)(1).
5. **Member Non-recourse Debt** has the same meaning as "partner non-recourse debt" set forth in Treasury Regulation §1.704-2(b)(4).
6. **Member Non-recourse Debt Minimum Gain** means an amount, with respect to each Member non-recourse Debt equal to the Company Minimum Gain that would result if such Member Non-recourse Debt were treated as a non-recourse Liability, determined pursuant to Treasury Regulation §1.704-2(i)(2) and (3).
7. **Member Non-recourse Deductions** has the same meaning as "partner non-recourse deductions" set forth in Treasury Regulation §1.704-2(i)(2). The amount of Member non-recourse Deductions with respect to a Member non-recourse Debt for a Company fiscal year equals the excess, if any, of (A) the net increase, if any, in the amount of the Company minimum Gain attributable to such Member Non-recourse Debt during the fiscal year over (B) the aggregate amount of any distribution during the fiscal year to the Member that bears the economic risk of loss for such Member Non-recourse Debt to the extent the distributions are from proceeds of the Member Non-recourse Debt and are allocable to an increase in Member Non-recourse Debt Minimum Gain attributable to the Member Non-recourse Debt, determined pursuant to Treasury Regulation §1.704-2(i).
8. **Non-recourse Deductions** has the meaning set forth in Treasury Regulation §1.704-2(c). The amount of Non-recourse Deduction for a Company fiscal year equals excess, if any, of the net increase, if any, in the amount of Company Minimum Gain during that fiscal year over the aggregate amount of any distributions during that fiscal year of proceeds of a non-recourse Liability that are allocable to an increase in Company Minimum Gain, determined pursuant to Treasury Regulation §1.704-2(c).
9. **Non-recourse Liability** has the meaning set forth in Treasury Regulation § 1.704-2(b)(3).

- 10.1 **Limitations on Allocations of Loss.** In no event will any Company loss or deduction, or item thereof, be allocated to any Member to the extent that the member has, or would have as a result of the allocation, an Adjusted Capital Account Deficit in the Member's Capital Account as of the end of the Company taxable year to which the allocation relates. Any loss or deduction, the allocation of which to a Member is disallowed by the foregoing restriction, will be reallocated to those Members who do not have an Adjusted Capital Account Deficit as of the end of such taxable year.
- 10.2 **Company Minimum, Gain Chargeback.** If there is a net decrease in Company Minimum Gain during any Company taxable year, each Member will be specially allocated, before any other allocation of Company income, gain, loss, or deduction for the taxable year, items of Company income and gain for the taxable year (and, if necessary, subsequent years) in proportion to and to the extent of an amount equal to each Member's share of the net decrease in Company Minimum Gain determine in accordance with Treasury Regulation §1.704-2(g)(2). This Paragraph 6.4.2 is intended to comply with, and will be interpreted consistently with, the "minimum gain chargeback" provisions of Treasury Regulation §1.704-2(f).
- 10.3 **Member Non-recourse Debt Minimum Gain Chargeback.** Notwithstanding any other provision of the Agreement or this Appendix 6.4, except Paragraph 6.4.2 of this Appendix, if there is a net decrease in Member Non-recourse Debt minimum Gain attributable to a Member Non-recourse Debt during any taxable year of the Company, each Member who has a share of the Member non-recourse Debt Minimum Gain attributable to such Member Non-recourse Debt, the determined in accordance with Treasury Regulation §1.704-2(i)(5), will be specially allocated items of Company income and gain for such year (and, it necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Non-recourse Debt, determined in accordance with Treasury Regulations 1.704-2(i)(4). Allocations pursuant to this paragraph 6.4.3 of Appendix 6.4 will be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated will be determined in accordance with Treasury Regulation §1.704-2(i)(4). This Paragraph 6.4.3 of Appendix 6.4 is intended to comply with, and will be interpreted consistently with, the partner non-recourse debt minimum gain chargeback provisions of Treasury Regulations §1.704-2(i)(4).
- 10.4 **Qualified Income Offset.** Notwithstanding any other provision of the Agreement or this Appendix except Paragraphs 6.4.2 and 6.4.3 of this Appendix 6.4, in the event any Member for any reason receives an Adjustment Item for any fiscal year that results in an Adjusted Capital Account Deficit for that Member, the Member will be specially allocated items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income, and gain for the year) in an amount and manner sufficient to eliminate the Adjusted Capital Account Deficit, if any, created by such Adjustment Item as quickly as possible. This Paragraph 6.4.4 of this Appendix 6.4 is intended to comply with the "qualified income offset" requirements of Treasury Regulation §1.704-1(b)(2)(ii)(d) and will be interpreted and applied consistently therewith.

- 10.5 ***Offsetting Allocations.*** Any special allocations of items of income, gain, loss, or deduction pursuant to Paragraphs 6.4.1, 6.4.2 6.4.3 or 6.4.4 of this Appendix 6.4 will be taken into account in computing subsequent allocations of Company income, gain, loss or deduction pursuant to Article 6 so that the net amount of any items so allocated and all other income, gain, loss, deductions, and items thereof allocated to each Member pursuant to Article 6 will, to the extent possible, be equal to the net amount that would have been allocated to each Member pursuant to Article 6 if the special allocation had not occurred.
- 10.6 ***Allocations with respect to Contributed or Revalued Property.*** Notwithstanding any other provisions of the Agreement, in the event Internal Revenue Code ("IRC") §704(c) or IRC §704(c) principles applicable under Treasury Regulation §1.704-1(b)(2)(iv) require allocations of company income, gain, loss, or deductions for income tax purposes in a manner different than otherwise provided in the Agreement, the provisions of IRC §704(c) and the regulations thereunder will control such allocations among the Members for income tax purposes. Any item of income, gain, loss and deduction with respect to any property (other than cash) that has been contributed to the Company by a Member or that has been revalued for Capital Account purposes under the Agreement pursuant to Treasury Regulation §1.704-1(b)(2)(iv) and which is required or permitted to be allocated to such Member for income tax purposes under IRC §704(c) so as to take into account the variation between the tax basis of such contributed or revalued property and its fair market value at the time of its contribution or revaluation will be allocated solely for income tax purposes in the manner so required or permitted under IRC §704(c) using the method described in Treasury Regulation §1.704-3 (or any successor regulation) selected by the Manager.