

OPERATING AGREEMENT

COVEY ROWHOUSES, LLC

An Oregon Limited Liability Company

THIS OPERATING AGREEMENT (this "Agreement") is made and entered into effective October 28, 2003, by and between COVEY ROWHOUSES, LLC, an Oregon limited liability company (the "Company"), and SAM H. LAPRAY (the "Member").

SECTION 1. THE LIMITED LIABILITY COMPANY

1.1 Formation. Effective October 27, 2003, the Member has cause the organization of an Oregon limited liability company under the name COVEY ROWHOUSES, LLC by filing Articles of Organization with the Oregon Secretary of State. The rights and obligations of the Member are as provided in the Oregon Limited Liability Company Act (the "Act"), except as otherwise expressly provided in this Agreement.

1.2 Name. The business of the Company will be conducted under the name COVEY ROWHOUSES, LLC.

1.3 Purpose. The Company may conduct or promote any lawful business or purpose that a partnership or corporation may conduct or promote. A purpose of the Company is to develop, hold and manage real property and rental units and to engage in all activities necessary or incidental thereto.

1.4 Offices. The Company maintains its principal business office within Oregon at 3320 Jackson Street, SE, Unit 1, Albany, Oregon 97322.

1.5 Registered Agent. Timothy P. Landis is the Company's registered agent in Oregon and the address of the registered office is at 715 S.W. Morrison Street, Suite 504, Portland, Oregon 97205.

1.6 Term. The term of the Company commences on October 27, 2003 and shall be as stated in the Company's Articles of Organization until terminated as provided in this Agreement.

1.7 Name and Address of Member. The Member's name and address are: Sam H. Lapray, 3320 Jackson Street, SE Unit 1, Albany, Oregon 97322.

1.8 Appointment of Managing Member. At the organizational meeting of the Company held on October 28, 2003, Sam H. Lapray was duly appointed as the Company's Managing Member.

1.9 Admission of Additional Members. No additional members may be admitted to the Company without the prior approval of the Member. Upon the admission of a second Member, the Agreement shall be revised to address the relative rights and obligations of the Members and the change of status for income tax purposes.

SECTION 2. CAPITAL CONTRIBUTIONS

2.1 Initial Capital Contributions. Contemporaneously with the organization of the Company, the Member shall contribute to the Company the assets (subject to the liabilities) described on Exhibit A to this Agreement in exchange for a 100% ownership interest (the "Interest") in the Company.

2.2 Additional Capital Contributions. The Member is not required to make, and has made no commitment to make, any additional capital contributions to the Company. Notwithstanding the foregoing, the Member may, from time to time, make additional contributions to the capital of the Company in such amounts as the Member determines is necessary. In the absence of a binding written commitment signed by the Member to make additional capital contributions to the Company, the sole determination that the Member has made or has agreed to make any additional capital contributions to the Company shall be the transfer by the Member of cash or other property to the Company with evidence that the transfer was not debt, including open account debt.

SECTION 3. ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS

3.1 Allocations of Income and Loss. All items of income, gain, loss, deduction, and credit will be allocated 100% to the Member. For federal and state income tax purposes, all items of Company income, gain, loss, and deduction will be reported on the Member's separate tax returns.

3.2 Distributions. No distribution may be made to the Member if, after giving effect to the distribution, in the judgment of the Member, either (1) the Company would not be able to pay its debts as they become due in the ordinary course of business or (2) the fair value of the total assets of the Company would not at least equal its total liabilities. Subject to the foregoing limitation, the Company will make such distributions to the Member in such amounts as the Member determines.

SECTION 4. POWERS AND DUTIES OF MANAGING MEMBER

4.1 Management of Company. The management and control of the Company and its business and affairs will be vested in the Managing Member. The Managing Member will have all the rights and powers that may be possessed by a Member in a member-managed limited liability company pursuant to the Act and those rights and powers that are otherwise conferred by law or that are necessary, advisable, or convenient to the discharge of the Managing Member's duties under this Agreement and to the management of the business and affairs of the Company; provided, however, notwithstanding the foregoing, the Managing Member shall not be required to perform services for the Company solely by virtue of being a Member. Without limiting the generality of the foregoing, the Managing Member will have the following rights and powers (which the Managing Member may exercise at the cost, expense, and risk of the Company):

- (1) To expend the funds of the Company in furtherance of the Company's business;
- (2) To perform all acts necessary to manage and operate the business of the Company, including engaging such persons as the Managing Member deems advisable to assist in the management of the Company;
- (3) To execute, deliver, and perform on behalf of and in the name of the Company any and all agreements and documents deemed necessary or desirable by the Managing Member to carry out the business of the Company, including any lease, deed, easement, bill of sale, mortgage, trust deed, security agreement, contract of sale, or other document conveying, leasing, or granting a security interest in the interest of the Company in any of its assets, or any part thereof, whether held in the Company's name, the name of the Member, or otherwise, and no other signature or signatures will be required for any such instrument to be valid, binding, and enforceable against the Company in accordance with its terms;
- (4) To borrow or raise moneys on behalf of the Company in the Company's name or in the name of the Member for the benefit of the Company and, from time to time, to draw, make, accept, endorse, execute, and issue promissory notes, drafts, checks, and other negotiable or nonnegotiable instruments and evidences of indebtedness, and to secure the payment thereof by mortgage, security agreement, pledge, or conveyance or assignment in trust of the whole or any part of the assets of the Company, including contract rights, and no other signature or signatures will be required for any such instrument to be valid, binding, and enforceable against the Company in accordance with its terms.

4.2 Limitation on Liability of Member. No Member or agent of the Company shall have any personal obligation for any liabilities of the Company by reason of being a Member or agent of the Company. The Managing Member will not have any liability to the Company for any loss suffered by the Company which arises out of any action, omission, or error in judgment of the Managing Member, which act, omission, or error did not constitute fraud.

4.3 Indemnification of Member. The Member shall be indemnified by the Company against any losses, judgments, liabilities, expenses, and amounts paid in settlement of any claims

sustained against the Company or against the Member in connection with the Company, including, without limitation, attorney fees at trial and on appeal as incurred. The satisfaction of any indemnification and any saving harmless will be from, and limited to, Company assets, and the Member will not have any personal liability on account of such indemnification.

4.4 Dealing with the Company. The Member, and any affiliates of or persons related to the Member, may deal with the Company, by providing or receiving property and services to or from the Company, and may receive from others or from the Company profits, compensation, commissions, or other income incident to such dealings as long as such profits, compensation, commissions, or other income is not proved beyond a reasonable doubt to be in excess of fair market value. To the maximum extent permitted by law, the Member shall not have or owe any fiduciary duties to the Company. Without limiting the generality of the foregoing, under no circumstances shall any person or entity, whether a creditor, incidental beneficiary, or otherwise, have any right or entitlement derivative of the Company or any ability to assert any claims by, through, or on behalf of the Company, including, without limitation, a claim that the Member has breached a fiduciary duty owed to the Company.

4.5 Loans. The Member may, but will not be obligated to, make loans to the Company to cover the Company's cash requirements, and such loans will bear interest at a rate determined by the Member.

SECTION 5. SALARIES AND REIMBURSEMENT OF EXPENSES

5.1 Organization Expenses. The Company will pay all expenses incurred in connection with organization of the Company.

5.2 Other Company Expenses. The Member will charge the Company for the Member's actual out-of-pocket expenses incurred in connection with the Company's business.

5.3 Salaries. The Member will be paid such compensation as is specifically authorized by the Member.

SECTION 6. BOOKS OF ACCOUNT AND BANKING

6.1 Books of Account. The Company's books and records and this Agreement will be maintained at the principal office of the Company. The Member will keep and maintain books and records of the operations of the Company that are appropriate and adequate for the Company's business and for carrying out this Agreement.

6.2 Banking. All funds of the Company are to be deposited in a separate bank account or in an account or accounts of a savings and loan association as determined by the Member. Such funds may be withdrawn from such account or accounts on the signature of the Member and/or of any such other person or persons as are designated by the Member in writing.

SECTION 7. ASSIGNMENT OF INTERESTS; SUBSTITUTION OF MEMBERS

A Member may dispose of all or any portion of his or her Interest. If the Member transfers his or her entire Interest, then the transferee shall be admitted as a substituted Member on completion of the transfer without further action and shall thereafter be the Member for purposes of this Agreement. If the Member transfers less than his or her entire Interest, then the transferee shall be admitted as a substituted Member with respect to the transferred Interest on the written consent of the Member.

SECTION 8. DISSOLUTION AND WINDING UP OF THE COMPANY

8.1 Dissolution. The Company will be dissolved only on the happening of any of the following events:

- (1) The express determination of the Member to dissolve the Company; or
- (2) By operation of law.

Without limiting the generality of the foregoing, the death, adjudicated incompetency, bankruptcy, or insolvency of the Member or the occurrence of any other event that terminates the membership of the Member in the Company shall not cause or result in a dissolution of the Company.

8.2 Winding Up. On the dissolution of the Company, the Member will take full account of the Company's assets and liabilities, and the assets will be liquidated as promptly as is consistent with obtaining their fair value, and the proceeds, to the extent sufficient to pay the Company's obligations with respect to the liquidation, will be applied and distributed in the following order:

- (1) To payment and discharge of the expenses of liquidation and of all the Company's debts and liabilities; and
- (2) To the Member.

SECTION 9. GENERAL PROVISIONS

9.1 Amendments. A proposed amendment will be adopted and become effective as an amendment only on the written approval of the Member.

9.2 Entire Agreement. This Agreement, including the attached Exhibit and any other document to be furnished pursuant to the provisions hereof, embodies the entire agreement and

understanding of the parties to the agreement regarding the subject matter contained in it. There are no restrictions, promises, representations, warranties, covenants, or undertakings other than those expressly set forth or referred to in such documents. This Agreement and such documents supersede all prior agreements and understandings among the parties regarding the subject matter hereof.

9.3 Severability. If any term or provision of this Agreement is held to be void or unenforceable, that term or provision shall be severed from this Agreement, the balance of the Agreement shall survive, and the balance of this Agreement shall reasonably be construed so as to carry out the intent of the parties as evidenced by the terms of this Agreement.

9.4 Governing Law. This Agreement and the rights of the parties under it will be governed by and interpreted in accordance with the laws of the state of Oregon (without regard to principles of conflicts of law).

IN WITNESS WHEREOF, the parties hereto execute this Agreement as of the date and year first above written.

MEMBER:



SAM H. LAPRAY

COMPANY:



SAM H. LAPRAY, Member
COVEY ROWHOUSES, LLC

CLIENT COPY

302 80
25
LIMITED LIABILITY COMPANY
ARTICLES OF ORGANIZATION

REGISTRY NUMBER:

180197-94

FILED

OCT 27 2003

OREGON
SECRETARY OF STATEARTICLES OF ORGANIZATION
OF
Covey Rowhouses, LLC
An Oregon Limited Liability Company

The undersigned natural person of the age of 18 years or more, acting as organizer under the Oregon Limited Liability Company Act, adopts the following Articles of Organization:

ARTICLE I

The name of the limited liability company is COVEY ROWHOUSES, LLC (the "Company").

ARTICLE II

The latest date upon which the Company is to dissolve is December 31, 2052.

ARTICLE III

The Company will be managed by its member. The Company will not be managed by a manager.

ARTICLE IV

The name of the initial registered agent is TIMOTHY P. LANDIS and the address of the initial registered office is PIONEER PARK BUILDING, SUITE 504, 715 S. W. MORRISON STREET, PORTLAND, OREGON 97205. The address where the Division may mail notices is PIONEER PARK BUILDING, SUITE 504, 715 S. W. MORRISON STREET, PORTLAND, OREGON 97205.

ARTICLE V

The name and address of each organizer are:

NameAddress

TIMOTHY P. LANDIS

PIONEER PARK BUILDING, STE 504
715 S.W. MORRISON STREET
PORTLAND, OREGON 97205


180197.94

ARTICLE VI

The effective date of the Company's existence is the date of filing of these Articles by the Secretary of State.

I, the undersigned organizer, declare under penalties of perjury, that I have examined the foregoing, and to the best of my knowledge and belief, these Articles of Organization are true, correct, and complete.

DATED: October 23, 2003.


TIMOTHY P. LANDIS,
ORGANIZER

The person to contact about this filing is:

TIMOTHY P. LANDIS

503-220-1810

EMAIL: tim@tlandislaw.com

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OREGON SECRETARY OF STATE

Corporation Division

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Business Name Search

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Business Entity Data

Registry Nbr	Entity Type	Entity Status	Jurisdiction	Registry Date	Duration Date	Renewal Date
180197-94	DLLC	ACT	OREGON	10-27-2003	12-31-2052	
Entity Name COVEY ROWHOUSES, LLC						
Foreign Name						

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Associated Names

Type	AGT	REGISTERED AGENT	Start Date	10-27-2003	Resign Date	
Name	TIMOTHY	P	LANDIS			
Addr 1	PIONEER PARK BLDG STE 504					
Addr 2	715 SW MORRISON ST					
CSZ	PORTLAND	OR	97205	Country	UNITED STATES OF AMERICA	

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Name History

Business Entity Name	Name Type	Name Status	Start Date	End Date
COVEY ROWHOUSES, LLC	EN	CUR	10-27-2003	

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Summary History

Image Date	Action	Transaction Date	Effective Date	Status	Name/Agent Change	Dissolved By
10-27-2003	ARTICLES OF ORGANIZATION	10-27-2003		FI	Agent	

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Secretary of State
Corporation Division
255 Capitol Street NE, Suite 151
Salem, OR 97310-1327

Phone: (503) 986-2200
Fax: (503) 378-4381
www.sos.state.or.us/corporation/corphp.htm

Registry Number: 180197-94
Type: DOMESTIC LIMITED LIABILITY COMPANY

RECEIVED

OCT 29 2003

BY: _____

COVEY ROWHOUSES, LLC
TIMOTHY P LANDIS
PIONEER PARK BLDG STE 504
715 SW MORRISON ST
PORTLAND OR 97205

Acknowledgment Letter

The document you submitted was recorded as shown below. Please review and verify the information listed for accuracy.

If you have any questions regarding this acknowledgement, contact the Secretary of State, Corporation Division at (503) 986-2200. Please refer to the registration number listed above. A copy of the filed documentation may be ordered for a fee of \$5.00. Submit your request to the address listed above or call (503) 986-2317 with your Visa or MasterCard number.

Document

ARTICLES OF ORGANIZATION

Filed On
10/27/2003

Jurisdiction
OREGON

Duration Date
12/31/2052

Name
COVEY ROWHOUSES, LLC

Registered Agent

TIMOTHY P LANDIS
PIONEER PARK BLDG STE 504
715 SW MORRISON ST
PORTLAND OR 97205

Keep this part for your records.

CP 575 E (Rev. 1-2001)

Return this part with any correspondence
so we may identify your account. Please
correct any errors in your name or address.

CP 575 E

0532856971

Your Telephone Number Best Time to Call
() -

DATE OF THIS NOTICE: 11-04-2003
EMPLOYER IDENTIFICATION NUMBER: 20-0323220
FORM: SS-4 NOBOD

INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255-0023
|||||

COVEY ROW HOUSES LLC
LAPRAY SAM SINGLE MEMBER
3320 JACKSON ST SE APT 1
ALBANY OR 97321



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
PHILADELPHIA PA 19255-0023

DATE OF THIS NOTICE: 11-04-2003
NUMBER OF THIS NOTICE: CP 575 E
EMPLOYER IDENTIFICATION NUMBER: 20-0323220
FORM: SS-4 NOBOD 0000006169

FOR ASSISTANCE CALL US AT:
1-800-829-0115

OR WRITE TO THE ADDRESS
SHOWN AT THE TOP LEFT.

IF YOU WRITE, ATTACH THE
STUB OF THIS NOTICE.

COVEY ROW HOUSES LLC
LAPRAY SAM SINGLE MEMBER
3320 JACKSON ST SE APT 1
ALBANY OR 97321

WE ASSIGNED YOU AN EMPLOYER IDENTIFICATION NUMBER (EIN)

Thank you for your Form SS-4, Application for Employer Identification Number (EIN). We assigned you EIN 20-0323220. This EIN will identify your business account, tax returns, and documents even if you have no employees. Please keep this notice in your permanent records.

Use your complete name and EIN shown above on all federal tax forms, payments and related correspondence. If you use any variation of your name or EIN, it may cause a delay in processing and may result in incorrect information in your account. It also could cause you to be assigned more than one EIN.

If you want to apply to receive a ruling or a determination letter recognizing your organization as tax exempt, and have not already done so, you should file Form 1023/1024, Application for Recognition of Exemption, with the IRS Ohio Key District Office. Publication 557, Tax Exempt Status for Your Organization, is available at most IRS offices and has details on how you can apply.