

OPERATING AGREEMENT OF
BAEZ BROTHERS, L.L.C.
an Oregon Limited Liability Company

COPY

The undersigned members, desiring to form a limited liability company under the Oregon Limited Liability Company Act, hereby agree as follows:

ARTICLE 1
FORMATION

1.1 Name. The name of the limited liability company (the "LLC") is BAEZ BROTHERS, L.L.C.

1.2 Articles of Organization. Articles of organization were filed with the Oregon Secretary of State on March 4, 1998

1.3 Duration. The duration of the LLC shall be perpetual.

1.4 Principal Place of Business. The principal office of the LLC shall initially be at 1292 Lancaster Drive NE, Salem, Oregon 97301. The managers may relocate the principal office or establish additional offices from time to time.

1.5 Registered Office and Registered Agent. The LLC's initial registered office shall be at 1292 Lancaster Drive NE, Salem, Oregon 97301 and the name of its initial registered agent at such address shall be Hector Baez.

ARTICLE 2
MEMBERS, CONTRIBUTIONS, AND INTERESTS

2.1 Names and Addresses. The names and addresses of the members of the LLC, the agreed value of their initial capital contributions, and their initial percentage ownership interests are:

<u>Name and Address</u>	<u>Contribution</u>	<u>Percentage</u>
Angel Baez Los Baez Restaurant 2920 Commercial Street SE Salem, Oregon 97302	an undivided 1/6 interest in the real property described on Exhibit "A"	16.66%
Raul Baez Los Baez Restaurant 2920 Commercial Street SE Salem, Oregon 97302	an undivided 1/6 interest in the real property described on Exhibit "A"	16.66%

Alberto Baez
Los Baez Restaurant
2920 Commercial Street SE
Salem, Oregon 97302

an undivided 1/6
interest in the
real property
described on
Exhibit "A" 16.66%

Hector Baez
Los Baez Restaurant
1292 Lancaster Drive NE
Salem, Oregon 97301

an undivided 1/6
interest in the
real property
described on
Exhibit "A" 16.66%

Arturo Baez
Los Baez Restaurant
1292 Lancaster Drive NE
Salem, Oregon 97301

an undivided 1/6
interest in the
real property
described on
Exhibit "A" 16.66%

Tito Baez
Los Baez Restaurant
1292 Lancaster Drive NE
Salem, Oregon 97301

an undivided 1/6
interest in the
real property
described on
Exhibit "A" 16.66%

Each member's percentage ownership interest at any time shall be the ratio of that member's capital contribution to all members' capital contributions.

2.2 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.

2.3 Additional Members. Additional members shall not be admitted except with the consent of all members.

2.4 Additional Contributions. Additional capital contributions shall be accepted from existing members only if the managers unanimously approve and set the maximum total amount of the additional capital contributions. If the managers do so, the members shall have the opportunity (but not the obligation) to make such additional capital contributions on a pro rata basis in accordance with their ownership interests. If any member elects to make less than the member's pro rata share of any additional capital contributions, the others may contribute the difference on a pro rata basis in accordance with their ownership interests or on any other basis they may agree upon. The ownership percentages of the contributing members shall be adjusted to reflect their additional contribution of capital.

2.5 No Interest on Capital Contributions. No interest shall be paid on capital contributions.

2.6 Capital Accounts. An individual capital account shall be maintained for each member. Each member's capital account shall be (i) credited with all capital contributions by such member and the member's distributive share of all income and gain (including any income exempt from federal income tax); and (ii) charged with the amount of all distributions to such member and the member's distributive share of losses and deductions. Capital accounts shall be maintained in accordance with federal income tax accounting principles as set forth in Treas. Reg. § 1.704-1(b)(2)(iv) or any successor provision.

ARTICLE 3 MEMBER MEETINGS

3.1 Meetings. A meeting of members shall be held (a) if it is called by the managers; or (b) if members holding at least 40 percent (40%) of the ownership interests sign, date, and deliver to the LLC's principal office a 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.

3.2 Notice of Meeting. 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 10 days before the meeting date. The notice must include a description of the purpose or purposes for which the meeting is called.

3.3 Record Date. The persons entitled to notice of and to vote at a members' meeting, and their respective ownership interests, shall be determined as of the record date for the meeting. The record date shall be a date, not earlier than 70 days nor less than 10 days before the meeting, selected by the managers. If the managers do not specify a record date, the record date shall be the date on which notice of the meeting was first mailed or otherwise delivered.

3.4 Quorum. The presence, in person or by proxy, of members holding at least 50 percent of the ownership interests shall constitute a quorum.

3.5 Proxies. A member may be represented at a meeting in person or by written proxy.

3.6 Voting. On each matter requiring action by the members, each member shall be entitled to vote the member's ownership interest. Except as otherwise stated in the articles of organization, this operating agreement, or applicable law, a matter submitted to a vote of the members shall be deemed approved if [the ownership interests voted in favor exceed those voted against the matter.

ARTICLE 4
MANAGEMENT

4.1 Number and Qualifications of Managers. As provided in the articles of organization, the LLC shall be managed by managers. The number of managers shall be the number elected by the members and acting as such from time to time, but shall not be less than 2 nor more than 6. Managers may be individuals or entities, and need not be members of the LLC.

4.2 Election of Managers. Managers shall be elected at meetings of members called for the purpose of electing managers; the meeting notice must state that the purpose, or one of the purposes, of the meeting is election of managers. A manager shall serve for a term ending when the members next hold a meeting at which managers are elected, or until the manager's earlier death, resignation, or removal.

4.3 Authority. Subject to restrictions that may be imposed from time to time by the managers or members, each manager shall be an agent of the LLC with authority to bind the LLC in the ordinary course of its business. The managers shall have no authority to bind the LLC as to the following matters without first obtaining approval by vote of the members:

(a) Sale, lease, exchange, mortgage, pledge, or other transfer or disposition of all or substantially all the assets of the LLC;

(b) Merger of the LLC with another entity;

(c) Amendment to the articles of organization;

(d) Incurrence of indebtedness by the LLC other than in the ordinary course of business;

(e) A transaction involving an actual or potential conflict of interest between a member or manager and the LLC; or

(f) A change in the nature of the business of the LLC.

4.4 Other Activities. Managers may have other business interests and may engage in other activities in addition to those relating to the Company. 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.

4.5 Meetings; Notices; Quorum; Voting. Meetings of the managers may be called by any manager. Meetings shall be held at the place fixed by the managers or, if no such place has been fixed, at the principal office of the LLC. Oral or written notice of the date, time, and place of any meeting shall be given at least 24 hours in advance. Written notice may be delivered personally, given by facsimile or other form of wire communication, or by mail

or private carrier, to each manager's business or home address. Written notice shall be effective at the earliest of the following: (a) when received, (b) when sent by facsimile or other form of wire communication, or (c) two business days after being mailed. A majority of the managers shall constitute a quorum. Each manager shall be entitled to one vote. A matter submitted to a vote of the managers shall be deemed approved if the votes in favor exceed those against the matter.

4.6 Resignation. A manager may resign at any time by delivering written notice to the other managers or to the members. The resignation is effective when the notice is effective under the Oregon Limited Liability Company Act, unless the notice specifies a later effective date. Once delivered, a notice of resignation is irrevocable unless revocation is permitted by the managers. The resignation of a manager who is also a member shall not affect the manager's rights as a member and shall not constitute a withdrawal of the member.

4.7 Removal of Manager by Members. The members may remove one or more managers with or without cause. A manager may be removed by the members only at a meeting called for the purpose of removing the manager and the meeting notice must state that the purpose, or one of the purposes, of the meeting is removal of the manager.

4.8 Vacancy. If a vacancy occurs in the number of managers:

- (a) The members may fill the vacancy; or
- (b) The remaining managers may fill the vacancy (whether or not the remaining managers constitute a quorum).

A vacancy that will occur at a specific later date may be filled before the vacancy occurs but the new manager may not take office until the vacancy occurs.

4.9 Salaries. The salaries and other compensation of the managers shall be fixed from time to time by vote of the members. A manager shall not be precluded from receiving a salary because the manager is also a member.

4.10 Other Agents. The managers may, by vote, authorize any agent to enter into any lawful contract or to otherwise act on behalf of the LLC. Such authority may be general or be confined to specific instances.

ARTICLE 5

ACTIONS WITHOUT NOTICE, WITHOUT MEETING, OR BY TELEPHONE

5.1 Meeting of all Members or Managers. Notwithstanding any other provision of this operating agreement, if all of the members or managers 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 or managers, respectively.

5.2 Action Without Meeting. Any action required or permitted to be taken by the members or the managers at a meeting may be taken without a meeting if a consent in writing, describing the action taken, is signed by members holding more than 60 percent of the ownership interests or by all of the managers, as the case may be, and is included in the minutes or filed with the LLC's records of meetings.

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

ARTICLE 6

ACCOUNTING AND RECORDS

6.1 Books of Account. The LLC's books and records, a register showing the names, addresses, and ownership interests of the members, and this operating agreement shall be maintained by the managers. 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.

6.2 Fiscal Year. The fiscal year of the LLC shall be the calendar year.

6.3 Accounting Reports. Within 90 days after the close of each fiscal year, the managers shall cause each member to receive an unaudited report of the activities of the LLC for the preceding fiscal year, including a copy of a balance sheet of the LLC as of the end of such year and a statement of income or loss for such year.

6.4 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, 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.

ARTICLE 7

ALLOCATION OF PROFITS AND LOSSES; DISTRIBUTIONS

7.1 Income and Loss Determination. The Company's income or loss for each fiscal year shall be determined as of the end of such 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 information return filed by the Company for that fiscal year.

7.2 Allocations of Income and Loss. All items of income, gain, loss, deduction, and credit shall be allocated among the members in proportion to their respective Ownership Percentages. Such items shall not be reallocated as provided in ORS 63.185(4) as a result of the admission of an additional member who has acquired an interest in the Company from another member.

7.3 Distribution. No distribution may be made to any member it, after giving effect to the distribution, in the judgment of the members, either (a) the Company would not be able to pay its debts as they become due in the ordinary course of business, or (b) the fair value of the total assets of the Company would not at least equal its total liabilities, plus the amount needed if the Company were to be dissolved at the time of the distribution to satisfy the preferential rights upon dissolution, if any, of other members that are superior to the rights of the member receiving the distribution. Subject to the foregoing limitation, the Company shall make such distributions, including draws, to members as the members shall determine. The members acknowledge that draws need not be proportional to the members' respective Ownership Percentages.

7.4 Distributions to Pay Tax Liabilities. On or before each due date for the members' estimated quarterly tax payments, the Company shall make a distribution to each member in an amount equal to at least (a) the member's distributive share of the Company's net taxable income during such quarter multiplied by (b) the lesser of (i) 40 percent or (ii) the sum of the maximum federal and state individual income tax rates of any member in effect for the taxable year (taking into account the deductibility of state taxes for federal income tax purposes), less (c) the amount of any distributions made during such quarter that were required to be made under the provisions of this paragraph with respect to a prior quarter. A member may, however, elect to receive less than the amount determined in accordance with this paragraph. For purposes of this paragraph, the Company's net taxable income shall be the net excess of items of recognized income and gain over the items of recognized loss and deduction as determined for federal income tax purposes. The Company's obligation to make such a distribution is subject to the restrictions set forth in subparagraph c. above.

ARTICLE 8 WITHDRAWAL, DISSOLUTION AND TRANSFER

8.1 Withdrawal. Each member agrees not to withdraw from the LLC without the consent of all other members. A voluntary withdrawal in violation of this section shall be effective after 3 months' written notice delivered to the managers, but shall constitute a breach of this operating agreement for which the LLC and other members shall have the remedies provided under applicable law.

8.2 Events of Dissolution. Except as otherwise provided in this operating agreement, the LLC shall dissolve upon the earlier of: (a) the time, if any, for dissolution specified in the articles of organization; (b) the death, incompetence, withdrawal, expulsion, bankruptcy, or dissolution of any member; or (c) approval of dissolution by a vote of the members.

8.3 Effect of Death of a Member. In the event of the death of a member, the remaining members may within 120 days elect to:

(a) Continue the LLC and admit the deceased member's spouse, estate or other beneficiary as a member in place of the deceased member; or

(b) If there are at least two remaining members, continue the LLC among the surviving members and purchase the interest of the deceased member pursuant to the provisions of Sections 8.6 and 8.7.

The election shall be at the sole discretion of the surviving members and shall require their unanimous consent. If the surviving members do not so elect, the LLC shall be dissolved.

8.4 Effect of Withdrawal or Other Event. Upon the incompetence, withdrawal, expulsion, bankruptcy, or dissolution of a member, if there are at least two remaining members, the remaining members may within 120 days, without waiving any remedies in the case of voluntary withdrawal, elect to continue the LLC among themselves and to purchase the interest of the affected member pursuant to the provisions of Sections 8.6 and 8.7. The election shall be at the sole discretion of the remaining members and shall require their unanimous consent. If the remaining members do not so elect, the LLC shall be dissolved.

8.5 Liquidation Upon Dissolution and Winding Up. Upon the dissolution of the LLC, the managers shall wind up the affairs of the LLC. A full account of the assets and liabilities of the LLC shall be taken. The assets shall be promptly liquidated and the proceeds thereof applied as required by the Oregon Limited Liability Company Act. With approval by vote of the members, the LLC may, in the process of winding up the LLC, elect to distribute certain property in kind.

8.6 Valuation of Member's Interest. The purchase of an interest purchased pursuant to paragraph 8.4 shall reflect the fair market value of all Company's assets, including the amount of any distributions to which the member is entitled under this Agreement up to the date of purchase. The fair market value shall be determined net of liabilities by an independent appraisal from an accredited senior appraiser (ASA, business valuation). The fair market value of a member's Ownership Percentage shall be determined after full consideration of all discounts, including discounts for minority ownership (i.e. lack of control) and lack of marketability. If the parties cannot mutually agree on the identity of an appraiser for this purpose within 30 days, then any

party may petition the presiding judge of the Marion County Circuit Court for the appointment of an appraiser. The cost of the appraisal shall be shared equally by the Company and the selling member.

8.7 Payment for Member's Interest. The purchase price for a member's interest purchased pursuant to Section 8.3 or 8.4 shall be paid in 120 substantially equal, consecutive monthly payments, including principal and interest. Interest shall accrue at the prime rate in effect on the date of the event giving rise to the election to purchase as quoted by the Wall Street Journal or, if that publication becomes unavailable, another reputable source chosen by vote of the members. The first payment shall be made not later than 90 days following such date. The LLC may prepay the remaining amount of the purchase price at any time.

8.8 Transfer of Membership Interest.

(a) Restriction on Transfer. A member may not sell, assign, transfer, mortgage, pledge, encumber, hypothecate or otherwise dispose of all or any part of the member's interest in the Company to any person, firm, corporation, trust or other entity without first offering in writing to sell such interest to the Company. The Company shall have the right to accept the offer at any time during the 30 days following the date on which the written offer is delivered to the Company. If the Company shall fail to accept the offer within the 30-day period, such interest may during the following 60 days be disposed of free of the restrictions imposed by this Agreement; provided, however, that the purchase price for such interest shall not be more favorable than the purchase price and terms of purchase that would have been applicable to the Company had the Company purchased the interest; provided further that the purchaser shall first become a member pursuant to this Agreement; and provided further that any interest not so disposed of within the 60-day period shall thereafter remain subject to the terms of this Agreement. Notwithstanding the preceding sentence, no assignee of a membership interest shall become a member of the Company except upon the consent of a majority in interest of the non-assigning members.

(b) Rights of an Assignee. An assignee shall be entitled to receive such distributions from the Company as the assigning member would have been entitled to receive under this Agreement with respect to such membership interest had the assigning member retained such membership interest. The assignment shall not divest the transferor of voting or other rights as a member, other than the right to receive distributions.

8.9 Effect of Purchase of Member's Interest. A member shall cease to be a member upon the LLC's election to purchase the member's interest pursuant to Section 8.3 or 8.4. During the period in which the LLC is making payments to the former member, the former member shall have no rights as a member in the LLC.

ARTICLE 9
INDEMNIFICATION

9.1 Indemnification. The LLC shall indemnify each of its managers to the fullest extent permissible under Oregon law, as the same exists or may hereafter be amended, against all liability, loss and costs (including, without limitation, attorney fees) incurred or suffered by such person by reason of or arising from the fact that such person is or was a manager of the LLC, or is or was serving at the request of the LLC as a manager, director, officer, partner, trustee, employee, or agent of another foreign or domestic limited liability company, corporation, partnership, joint venture, trust, benefit plan, or other enterprise. The LLC may, by action of the members or managers, provide indemnification to employees and agents of the LLC who are not managers. The indemnification provided in this section shall not be exclusive of any other rights to which any person may be entitled under any statute, bylaw, agreement, resolution of members or managers, contract, or otherwise.

9.2 Limitation of Liability. Managers of the LLC shall not be liable to the LLC or its members for monetary damages for conduct as 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 liability. No repeal or amendment of this section or of the Oregon Limited Liability Company Act shall adversely affect any right or protection of a manager for actions or omissions prior to the repeal or amendment.

ARTICLE 10
AMENDMENTS

10.1 By Members. The members may amend or repeal the provisions of this operating agreement by unanimous agreement set forth in writing or by action taken at a meeting of members called for that purpose. This operating agreement may not be amended or repealed by oral agreement of the members.

10.2 By Managers. The managers may not amend or repeal the provisions of this operating agreement.

ARTICLE 11
MISCELLANEOUS

11.1 Additional Documents. Each member shall execute such additional documents and take such actions as are reasonably requested by the managers in order to complete or confirm the transactions contemplated by this operating agreement.

11.2 Arbitration. Any dispute among the members or among the members and the LLC concerning this operating agreement shall be settled by arbitration before a single arbitrator, using the rules of commercial arbitration of the American Arbitration Association. Arbitration shall occur in Salem, Oregon. The parties shall be entitled to conduct discovery in accordance with the Federal Rules of Civil Procedure, subject to limitation by the arbitrator to

secure just and efficient resolution of the dispute. If the amount in controversy exceeds \$10,000, the arbitrator's decision shall include a statement specifying in reasonable detail the basis for and computation of the amount of the award, if any. A party substantially prevailing in the arbitration shall also be entitled to recover such amount for its costs and attorney fees incurred in connection with the arbitration as shall be determined by the arbitrator. Judgment upon the arbitration award may be entered in any court having jurisdiction. Nothing herein, however, shall prevent a member from resort to a court of competent jurisdiction in those instances where injunctive relief may be appropriate.

11.3 Counterparts. This operating agreement may be executed in two or more counterparts, which together shall constitute one agreement.

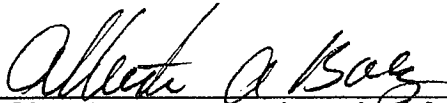
11.4 Governing Law. This operating agreement shall be governed by Oregon law.

11.5 Headings. Headings in this operating agreement are for convenience only and shall not affect its meaning.


11.6 Severability. The invalidity or unenforceability of any provision of this operating agreement shall not affect the validity or enforceability of the remaining provisions.

11.7 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.

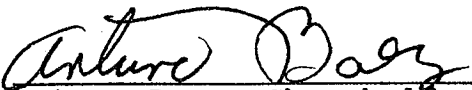
ADOPTED as of March 4, 1998 by the undersigned, constituting all of the members.



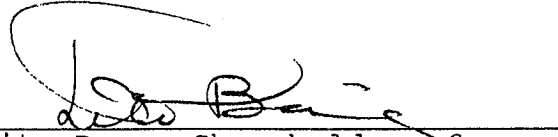
Alberto Baez, Shareholder of
Director of Los Hermanos, Inc.
Partner, Baez Brothers



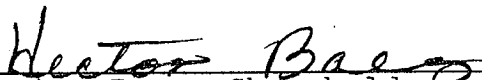
Angel Baez, Shareholder and
Director of Los Hermanos, Inc.
Partner, Baez Brothers



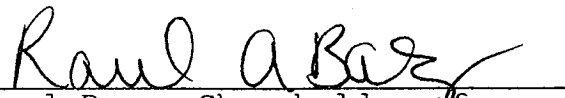
Arturo Baez, Shareholder and
Director of Los Hermanos, Inc.
Partner, Baez Brothers



Tito Baez, Shareholder of
Los Hermanos, Inc.
Partner, Baez Brothers



Hector Baez, Shareholder and
Director of Los Hermanos, Inc.
Partner, Baez Brothers



Raul Baez, Shareholder of
Los Hermanos, Inc.
Partner, Baez Brothers

Beginning on the South line of Weathers Street at a point which is 412.43 feet South $89^{\circ}42'$ West and 30.00 feet South $1^{\circ}14'$ West from the Northeast corner of Lot 12, Heltzel's Garden Tracts, in Marion County, Oregon, said point being on the extension of the East line of Clay Street; thence South $1^{\circ}14'$ West along the extension of said East line of Clay Street, a distance of 120.04 feet; thence South $89^{\circ}42'$ West, parallel with the South line of Weathers Street, 355.40 feet to a point on the East line of Lancaster Drive; thence North $4^{\circ}34'$ West along the East line of said Lancaster Drive 120.33 feet to the point of intersection with the South line of said Weathers Street; thence North $89^{\circ}42'$ East 367.52 feet to the place of beginning.

EXHIBIT

A

PAGE

1

OF

1

**ASSIGNMENT OF MEMBERSHIP INTEREST
IN BAEZ BROTHERS, LLC**

For value received, Alberto Baez hereby sells, assigns, and transfers fifty percent (50%) unto Hector Baez and fifty percent (50%) unto Arturo Baez all of his membership interest in Baez Brothers, LLC.

Dated this 16 day of April, 2004



Alberto Baez

**ASSIGNMENT OF MEMBERSHIP INTEREST
IN BAEZ BROTHERS, LLC**

For value received, Raul Baez hereby sells, assigns, and transfers fifty percent (50%) unto Hector Baez and fifty percent (50%) unto Arturo Baez all of his membership interest in Baez Brothers, LLC.

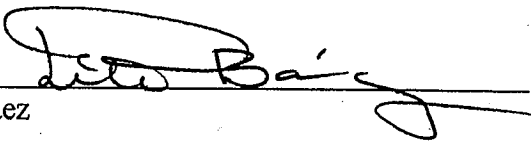
Dated this 15th day of April, 2004

Raul A Baez
Raul Baez

**ASSIGNMENT OF MEMBERSHIP INTEREST
IN BAEZ BROTHERS, LLC**

For value received, Tito Baez hereby sells, assigns, and transfers fifty percent (50%) unto Hector Baez and fifty percent (50%) unto Arturo Baez all of his membership interest in Baez Brothers, LLC.

Dated this 16 day of April, 2004



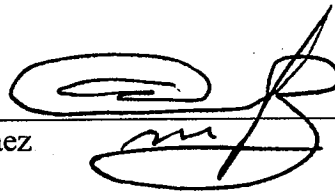
Tito Baez

**ASSIGNMENT OF MEMBERSHIP INTEREST
IN BAEZ BROTHERS, LLC**

For value received, Angel Baez hereby sells, assigns, and transfers all of his membership interest in Baez Brothers, LLC., fifty percent (50%) unto Hector Baez and fifty percent (50%) unto Arturo Baez.

DATED this 15 day of April 2004.

Angel Baez

A handwritten signature in black ink, consisting of a stylized 'A' followed by a large, loopy flourish that extends upwards and to the right.