

OPERATING AGREEMENT OF SURPRISE VALLEY HOLDINGS LLC

THIS OPERATING AGREEMENT (the "Agreement") is made effective by the undersigned this 10th day of JANUARY, 2008, by and among SURPRISE VALLEY HOLDINGS LLC, a Wyoming limited liability company (the "Company"), and the undersigned members (hereinafter collectively referred to as "Members" or individually as "Member") of the Company, all of whom have signed this Agreement, hereby agreeing to be obligated by the terms of this Agreement.

OPERATING AGREEMENT

This Agreement governs the relationship among Members of the Company and between the Company and the Members, pursuant to the Wyoming Limited Liability Company Act, as amended from time to time.

In consideration of their mutual promised, covenants and agreements, the parties hereto do hereby promise, covenant and agree as follows:

ARTICLE 1: FORMATION, NAME AND PRINCIPAL OFFICE

1.1 Name. The business of the Company shall be conducted under the name Surprise Valley Holdings LLC, or such other names as the Members may from time to time designate in accordance with applicable laws.

1.2 Principal Office. The principal office and place of business of the Company shall be maintained at 99 S. Main Street, Suite 201, Driggs, ID 83422 or at such other place as may be designated by the Members.

ARTICLE 2: PURPOSES AND POWERS; TERM OF COMPANY

2.1 Purposes and Powers. The purpose for which the Company is organized is the conduct of all lawful business purposes except that of banking and insurance.

2.2 Term of Company. The Company shall continue unless and until dissolved pursuant to Article 10 of this Agreement.

ARTICLE 3: MEMBERS

3.1 Members. The members of the Company are:

- (a) Matt Hail; and
- (b) Peter Hatcher

3.2 Membership Units.

(a) Each Member's interest in the Company, including such Member's Capital Account, pro rata interest (based upon the number of Units owned by such Member) in the income, gain, losses, deductions and expenses of the Company and the right to vote, if any, on certain Company matters, as provided in this Agreement, shall be represented by units. The Members may cause the Company to issue to each Member certificates representing the Units held by such Member.

(b) Ownership of Units by a Member shall entitle such Member to a vote on any matter voted on by the Members as provided in this Agreement and/or as required by applicable law. At every meeting of the Members, each Member shall be entitled to one vote for every Unit held by such Member.

3.3 Withdrawal. Except as set forth in this Agreement, a Member does not have the right or power to withdraw from the Company as a Member or the right to any payment or compensation upon such withdrawal.

3.4 Restrictions on Sale. Any Member who shall be desirous of selling their Membership Interest in the Company shall give the right of first refusal to purchase said Membership Interest at the same price as being offered by a bona fide and qualified buyer. All Members electing to purchase, and having the right to purchase, may purchase that Membership Interest being sold.

The buyer of a Membership Interest shall become a substituted Member only if the above stated has been complied with and all the following conditions are first satisfied:

(a) The instrument of assignment sets forth the intention of the Assignor that the assignee succeeds to the assignor's Membership Interest as a substituted Member in its place;

(b) The buyer of the Membership Interest files with the Company a written instrument evidencing acceptance by the assignee of all the terms and provisions of this Operating Agreement and represents that such assignment was made in accordance with all applicable laws and regulations and in all other respects is satisfactory in form and substance to the Company; and

(c) The buyer shall have paid all reasonable legal fees and filing costs incurred by the Company in connection with its substitution as a Member.

ARTICLE 4: CAPITAL CONTRIBUTIONS

4.1 Original Capital Contributions. The initial capital contributions to the Company of each Member is set forth in Schedule A attached hereto.

4.2 Additional Capital Contributions. No Member shall be obligated to make additional capital contributions, other than those described in Section 4.1 above.

ARTICLE 5: ALLOCATIONS

5.1 Profit Sharing Percentages. The Units of each Member representing their percentage of Membership rights and Membership Interests (the "Profit Sharing Percentages") shall be as set forth on Schedule A.

5.2 Allocations of Profits and Losses. All income, gain, loss or credit shall be allocated among the Members in accordance with their Profit-Sharing Percentages.

ARTICLE 6: DISTRIBUTIONS

6.1 Cash Flow Distributions.

(a) Net Cash Flow From Operations and Net Cash Flow From Sales, Refinancings, and Other Extraordinary Items shall be distributed to the Members at such time and in such amounts as determined by the Members (or Manager(s) if designated by the Members). All cash flow distributions shall be in proportion to the Members' Profit-Sharing Percentages.

(b) In the case of the liquidation or termination of the Company, distributions shall be made in accordance with Article 10 hereof.

6.2 Distributions in Kind. A Member, regardless of the nature of his/her contribution, has no right to demand and receive any distributions from the Company in and form other than cash.

6.3 Definitions. As used in this Article 6, the following terms have the following meanings:

Net Cash Flow From Operations" shall mean the gross cash revenues received by the Company as a result of the conduct by the Company of its business operations (but not including gross cash revenue received upon liquidation or termination of the Company which shall be distributed only in accordance with Article 10 of this Agreement), less the sum of the flowing to the extent paid or set aside by the company: (i) all principal and interest payment and all other sums paid on or with respect to any indebtedness of the Company (including loans made by Member(s)), (ii) all cash expenditures incurred incident to the operation of the Company's business, including without limitation, expenditures for capital improvements; and (iii) such cash reserves as the Members deem(s) reasonably necessary to the proper operation of the Company's business, including but not limited to, for working capital, capital improvements, repairs, taxes, insurance, and funding other cash requirements and contingencies.

"Net Cash Flow From Sales, Refinancing, and Other Extraordinary Items" shall mean the net cash proceeds from (i) all sales and other dispositions of property not in the ordinary course of business (and not including gross cash proceeds received upon liquidation or termination of the Company, which shall be distributed only in accordance with Article 10 of this Agreement), (ii) all refinancing of property, and (iii) other extraordinary items such as the receipt of life insurance proceeds; provided, however, such term shall not include any cash proceeds to the extent the Members (or Manager(s) if designated by the Members) decide to retain such proceeds for such reserves. Net cash proceeds are gross cash proceeds less the payments of transaction costs and, in the case of the sale or other disposition of property, payments with respect to any note or other

obligation received by the Company in connection with sales and other dispositions of property not in the ordinary course of business.

ARTICLE 7: ACCOUNTING

7.1 Books and Records. At all times during the continuation of the Company, the Company shall keep true and full books of accounts and other records necessary for recording the Company's business and affairs. The books of the Company shall be maintained on the cash (accrual if required by federal tax law) basis and in accordance with applicable income tax regulations. Such books of accounts shall be maintained at all times at the principal office of the Company, and, upon written demand, such books of accounts and records shall be open to the inspection and examination of any Member in person or by his duly authorized representative at all reasonable times, and for any reasonable and proper purpose.

7.2 Fiscal Year. The fiscal year of the Company shall be the calendar year, unless otherwise agreed in writing by the Members.

7.3 Annual Statements. Annual statements of the operations of the Company shall be prepared, including a balance sheet, statement of operations, and such supporting statements as the Members deem(s) relevant.

7.4 Bank Accounts. All funds of the Company shall be deposited in its name in such checking or savings accounts, as shall be designated from time to time by the Members. Withdrawals there from shall be made upon such signature or signatures as determined by the Members, or Manager(s).

7.5 Income Tax Returns. The Company shall provide the Members information on the Company's taxable income or loss that is relevant to reporting the Company's income as well as all other filings, forms, or other information required by federal law or state taxing and regulatory authorities. This information shall also show each Member's distributive share of the Company's income, gain, loss, deduction, and credit. This information shall be furnished to the Members as soon as practicable after the close of the Company's taxable year and reasonable estimates will be provided during the course of the year as may be necessary for the Members to make estimated tax payments.

ARTICLE 8: MEETINGS OF THE MEMBERS

8.1 Annual Meetings. Annual meetings of Members shall not be required. Any Member may call a special meeting of the Members. Calls for special meetings shall specify the time and place of the meeting. The date shall not be less than 10 days after delivery of the request.

8.2 Waiver of Notice. Any Member, either before or after any meetings, may waive notice thereof. Waivers must be in writing and filed with or entered upon the records of the meeting. Notice of a meeting will be deemed to have been waived by any Member who attends such meeting by proxy or in person and who does not, before or at the commencement of the meeting, protest the lack of proper notice.

8.3 Quorum. A majority of the outstanding Units shall constitute a quorum for any meeting of the Members. In the event of an absence of a quorum at any meeting or any adjournment thereof, a majority of the Units so represented may adjourn such meeting from time to time.

8.4 Voting. Voting shall be done on the basis of Units, with each Unit representing the right to cast one vote. Unless otherwise specified herein, resolutions before the Members shall be approved by a majority of the Units of the Members represented at any meeting.

8.5 Actions Without Meetings. Any action required or permitted to be taken at a meeting of the Members may be taken without a meeting if consent in writing to the adoption of a resolution authorizing the action so taken shall be signed by all of the Members entitled to vote with respect to the subject matter thereof.

ARTICLE 9: MANAGEMENT OF THE COMPANY

9.1 The Manager(s). The business of the Company shall be exercised by or under the direction of one or more managers of the Company, appointed by a majority vote of the Units. Matt Hail and Peter Hatcher will be the initial Manager(s) of the Company. The persons designated as Managers shall remain Managers unless changed pursuant to the terms of this Agreement.

9.2 General Authority of Manager(s). Authority for management and control of the Company, its assets and operations shall be vested in the Manager(s), and the Manager(s) shall have the authority, individually or jointly, on behalf of and for the benefit of the Company to conduct Company business and to take action, make a determination or exercise authority of the Company at least as follows:

(a) Deposit, to the credit of the Company, all funds of the Company in accounts established on behalf of the Company;

(b) Sign all checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Company;

(c) Employ a management company and any other agents deemed advisable by the Manager(s) in connection with the business of the Company;

(d) Pay or cause to be paid or otherwise satisfy the outstanding obligations of the Company;

(e) Enter into and execute lease agreements, along with any other agreements on behalf of the Company in the ordinary course of owning, leasing and managing the Company investment real property;

(f) Sell, exchange, dispose of, transfer, lease or otherwise alienate, or convey title to or grant an option for the sale of all or any portion of any Company real property; and

(g) Take any and all other actions on behalf of the Company which are otherwise ordinary and necessary in connection with owning, managing and leasing investment real property.

The Manager(s) shall determine actions to be taken on behalf of the Company to the extent feasible, and the Manager(s), acting singly or jointly, shall have full authority to take any action on behalf of the Company for carrying on the business of the Company in the usual way and no third party dealing with the Company shall be required to inquire concerning the authority of the Manager(s).

9.3 Payment of Manager(s) Expenses. The Manager(s) shall be paid by the Company, upon its request, for all reasonable and necessary expenses directly or indirectly incurred by it in the conduct of the Company business as well as in preparing, filing and distributing any tax return, financial reports or other documents required to be prepared, filed or distributed under this Agreement.

9.4 Indemnity of Manager(s). The Company shall indemnify to the fullest extent permitted under the Wyoming Limited Liability Act any person who was or is a party or who is threatened to be made a party to any threatened, pending or completed action or suit because they are or were a Manager of the Company.

ARTICLE 10: DISSOLUTION AND TERMINATION

10.1 Dissolution Events. The Company shall be dissolved by the unanimous written agreement of all Members. The involuntary withdrawal of a Member shall not cause the dissolution of the Company. For purposes hereof, "involuntary withdrawal" shall mean, with respect to any Member, adjudication of bankruptcy or insolvency of the Member or death or adjudication of incompetence of the Member.

As soon as practicable, following and Event of Termination, the appropriate representative of the Company shall execute and deliver to the Wyoming Secretary of State for filing a certificate of dissolution in a form that is prescribed by the Wyoming Secretary of State and that includes the effective date of the dissolution.

10.2 Winding Up, Liquidation and Distribution of Assets.

(a) Upon dissolution of the Company pursuant to Section 10.1, The Company business shall be terminated, its liabilities discharged, and its property distributed as hereinafter described, and the Company shall be liquidated. A reasonable period of time shall be allowed for the orderly termination of the Company business, discharge of its liabilities, and distribution of its remaining property, subject to Sections 10.2 and 10.3 and within the periods of time provide in Section 10.3(b).

(b) For purposes of the termination of the Company business, discharge of its liabilities, and distribution of its remaining property, one or more persons selected by a vote of those Members holding (individually or in the aggregate) a majority of the Profit-Sharing Percentages shall act as the Liquidation Manager and have the exclusive power and authority to act on behalf of the Company, to terminate the Company business, to sell and convey any real or personal property of

the Company for such consideration and upon such terms and conditions as the Liquidation Manager deems appropriate to discharge the Company liabilities, to establish any reserves that the Liquidation Manager deems reasonably necessary for any contingent or unforeseen liabilities of the Company, and to distribute its property as provided in Section 10.3(c). If more than one person is selected to serve as Liquidation Manager, any disagreements that cannot be resolved between them shall be decided by a vote of the Members holding a majority of the Profit-Sharing Percentages, acting with or without a meeting.

(c) The Liquidation Manager shall apply all Company property to pay all expenses of liquidation and to satisfy all debts and liabilities of the Company as provided by the Wyoming Code and distribute any remaining property as provided by Section 10.3

10.3 Final Distribution.

(a) All cash and other property remaining for distribution to Members pursuant to Section 10.2 following satisfaction of all debts and liabilities after an Event of Termination shall be divided among and distributed to the Members in accordance with their positive capital accounts, after giving effect to all contributions, distributions, and allocations for all periods. If any Member has a deficit capital account balance (after giving effect to all contributions, distributions, and allocations for all periods), such Member shall have no obligation to make any contribution to the capital of the Company with respect to such deficit, and such deficit shall not be considered a debt owed to the Company or to any other person for any purpose whatsoever. The foregoing provision and the other provisions of this Agreement relating to distributions are intended to comply with Regulation Section 1.704-1(b)(2)(ii)(b) and shall be interpreted and applied in a manner consistent with said Regulation.

(b) All Distributions under this Section 10.3 shall be made not later than the end of the Company's taxable year in which the Event of Termination occurs or, if later, the ninetieth (90th) calendar day following the Event of Termination; provided that (i) reserves determined by the Liquidation Manager as reasonably required to provide for liabilities (contingent or otherwise) of the Company need not be distributed until such liabilities are satisfied and (ii) installment obligations and other amounts owed to the Company and not collected prior to the end of the such taxable year or ninetieth (90th) calendar day following such taxable year need not be distributed until received; and provided further that such retention of funds is permitted by and shall comply with the provisions of Regulation Section 1.704-1 (b). Distributions pursuant to this Section 10.3 may, in the discretion of the Liquidation Manager, be distributed to a trust established for the benefit of the Members for the purposes of liquidating Company assets, collecting amounts owed to the Company, and paying any contingent or unforeseen liabilities or obligations of the Company or of the Members arising out of or in connection with the Company. The assets of any such trust shall be distributed to the Members from time to time, in the reasonable discretion of the Liquidation Manager, in the same proportions as the amount distributed to such trust by the Company would otherwise have been distributed to the Members pursuant to this Agreement.

10.3 Deemed Distribution and Recontribution.

Notwithstanding any other provisions of this Article 10 in the event the Company is liquidated within the meaning of Regulation Section 1.7041(b)(2)(ii)(g), but no Event of Termination has occurred, Company property shall not be liquidated, the Company's liabilities shall not be paid or discharged, and the Company's affairs shall not be wound up. Instead, solely for federal income tax purposes, the Company shall be deemed to have distributed its company property in kind to the Members who shall be deemed to have assumed and taken subject to all company liabilities, all in accordance with their respective capital accounts. Immediately thereafter, the Members shall be deemed to have recontributed the Company property in kind to the Company, which shall be deemed to have assumed and taken subject to all such liabilities.

ARTICLE 11: MISCELLANEOUS PROVISIONS

11.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Wyoming.

11.2 Inurement. This Agreement shall be binding upon, and inure to the benefit of, all parties hereto, their personal and legal representatives, guardians, successors, and assigns to the extent, but only to the extent, that assignment is provided for, in accordance with, and permitted by the provisions of this Agreement.

11.3 Further Assurances. The Members and the Company agree that they and each of them will take whatever action or actions are deemed by counsel to the Company to be reasonably necessary or desirable from time to time to effectuate the provisions or intent of this Agreement, and to that end the Members and the Company agree that they will execute, acknowledge, seal, and deliver any further instruments or documents which may be necessary to give force and effect to this Agreement or any of the provisions hereof or to carry out the intent of this Agreement or any of the provisions hereof.

11.4 Gender and Headings. Throughout this Agreement, where such meanings would be appropriate: (a) the masculine gender shall be deemed to include the feminine and the neuter and vice versa, and (b) the singular shall be deemed to include the plural and vice versa. The headings herein are inserted only as a matter of convenience and reference, and in no way define or describe the scope of the Agreement or the intent of any provisions hereof.

11.5 Entire Agreement. This Agreement sets forth all of the promises, agreements, conditions, understandings, warranties, and representations among the parties hereto with respect to the Company and the subject matter hereof and supersedes all prior negotiations, discussions, undertakings, and agreements between the parties, and there are no promises, agreements, conditions, understandings, warranties, or representations, oral or written, express or implied, among them other than as set forth herein.

11.6 Severability. In the event that any part, article, section, paragraph, or clause of this Agreement shall be held to be indefinite, invalid, or otherwise unenforceable, the entire Agreement shall not fail on account thereof, and the balance of the Agreement shall continue in full force and effect.

11.7 Amendments. This Agreement may not be modified or amended or have an addendum attached, except with the written consent of all Members. All addendums to this Agreement must be in writing and signed by all Members.

11.8 Execution of Additional Instruments. Each Member hereby agrees to execute and deliver to the Company within five (5) days after receipt of the Company's written request therefore, such other and further statements of interest and holdings, designations, powers of attorney, and other instruments as the Company deems necessary to comply with any laws, rules, or regulations.

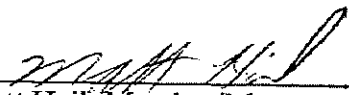
11.9 Membership Interests. Each of the Members and any substitute or additional Members admitted hereby covenant, acknowledge, and agree that all Membership Interests in the Company shall for all purposes be deemed personality and shall not be deemed realty or any interest in real or personal property owned by the Company.

11.10 Rights and Remedies Cumulative. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive the right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance, or otherwise.

11.11 Not for Benefit of Creditors. The provisions of this Agreement are intended only for the regulation of relations among Members and the company. This Agreement is not intended for the benefit of nonmember creditors and does not grant any rights to, or confer any benefits on, nonmember creditors or any other person who is not a Member.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement on the day and year first above written.

DATED this 10th day of January, 2006.


Matt Hail, Member/Manager of
Surprise Valley Holdings LLC


Peter Hatcher, Member/Manager of
Surprise Valley Holdings LLC

SCHEDULE A
Members and Membership Interests

<u>Name / Address</u>	<u>Date Admitted</u>	<u>Capital Contribution</u>	<u>Units</u>
Matt Hail 99 S. Main St. Suite 201 Driggs, ID 83422	1/10/06	\$500.00	50
Peter Hatcher P.O. Box 3071 Alpine, WY 83128	1/10/06	\$500.00	50